

The cover features a teal background with a network of white lines and nodes. Several circular cutouts show people in various poses. A grid of white plus signs is visible at the bottom. The text 'ANNUAL REPORT 2009' is followed by a play button icon.

ANNUAL REPORT 2009 ▶

2009 IN BRIEF



The overall electricity consumption in Norway decreased by 5 TWh compared with 2008. This was mainly due to a decrease in the demand for electricity from power-intensive industry and higher temperatures. However, the winter of 2009/2010 resulted in several new consumption records, peaking at 24 000 MW on Wednesday 6 January 2010.

As of April 2009, Norway was divided into three market areas: South Norway, Central Norway and North Norway. Due to the cold and dry winter in 2009/2010, South-Western Norway and Western Norway were established as two new price areas in January and March 2010. Thus, as of March 2010, there are now five price areas in Norway.

The electricity situation in Central Norway was set to alert in the spring of 2009. This means that the electricity system in the region is less flexible than normal and that the ability to handle periods of low precipitation or prolonged faults is limited. The situation was again defined as strained from mid-January 2010.

Two new power lines became operative in 2009. A new 100-kilometre power line from Skåreheia to Hølen in the Setesdal valley and a 25-kilometre long line from Nea in Trøndelag to the Swedish border were put into operation in August and October respectively.

In October, a third interconnector over the Oslofjord became operational again after being repaired for substantial damage. Statnett has applied for a licence to install a new interconnector scheduled for completion in 2011.

In June 2009, Statnett was granted a licence for a new power line between Ørskog municipality in Sunnmøre and Fardal in Sogn og Fjordane. The licence decision has been appealed to the Ministry of Petroleum and Energy.

In May 2009, Statnett applied for a licence to build a new 420 kV power line between Balsfjord and Hammerfest. In November, a licence application was submitted for a new cable to Denmark, the Skagerrak 4 cable, whereas in December, Statnett applied for a licence to establish a new cable connection over the Oslofjord. In February 2010, Statnett applied for a licence to upgrade the voltage on the Kristiansand – Arendal – Bamble connection.

Before Christmas 2009, Statnett submitted a proposal to the Norwegian Water Resources and Energy Directorate (NVE) for a new interconnector between Norway and Germany, the so-called Nord Link Cable. In February 2010, Statnett submitted a proposal for a new 420 kV power line between Bamble and Rød.

Statnett has reasonably high credit ratings from Standard & Poor's and Moody's Investor Service. The credit ratings for long-term borrowing are A+ and A2, despite a significant increase in investment plans.

On 1 February, Auke Lont took over as President and CEO of the Statnett Group after Odd Håkon Hoelsæter, who retired after 17 years as President and CEO of the Group.

KEY FIGURES

PARENT COMPANY

31 Dec. 2007 31 Dec. 2008 31 Dec. 2009

(Amounts in NOK million)

GROUP

31 Dec. 2009 31 Dec. 2008 31 Dec. 2007

HIGHLIGHTS

3 387	4 248	2 818	Operating revenues	2 862	4 256	3 415
1 000	1 199	-435	Operating profit/loss	-403	1 194	1 025
818	857	375	Profit/loss before tax	-668	1 742	880
598	630	574	Profit/loss for the year	-480	1 517	651
15 825	19 557	19 028	Total assets	19 342	20 919	16 439

KEY FIGURES

7.5 %	7.7 %	5.7 %	Return on capital employed	-0.3 %	12.5 %	7.6 %
8.3 %	8.2 %	4.2 %	Return on total assets	-1.2 %	12.5 %	8.4 %
12.6 %	12.3 %	10.8 %	Return on equity	-7.9 %	25.0 %	12.4 %
31.5 %	26.9 %	28.1 %	Equity share	29.0 %	31.5 %	33.8 %

Return on capital employed: $\frac{\text{Profit/loss for the year} + \text{interest costs}}{\text{Average capital employed}}$

Capital employed: $\text{Equity} + \text{interest-bearing liabilities}$

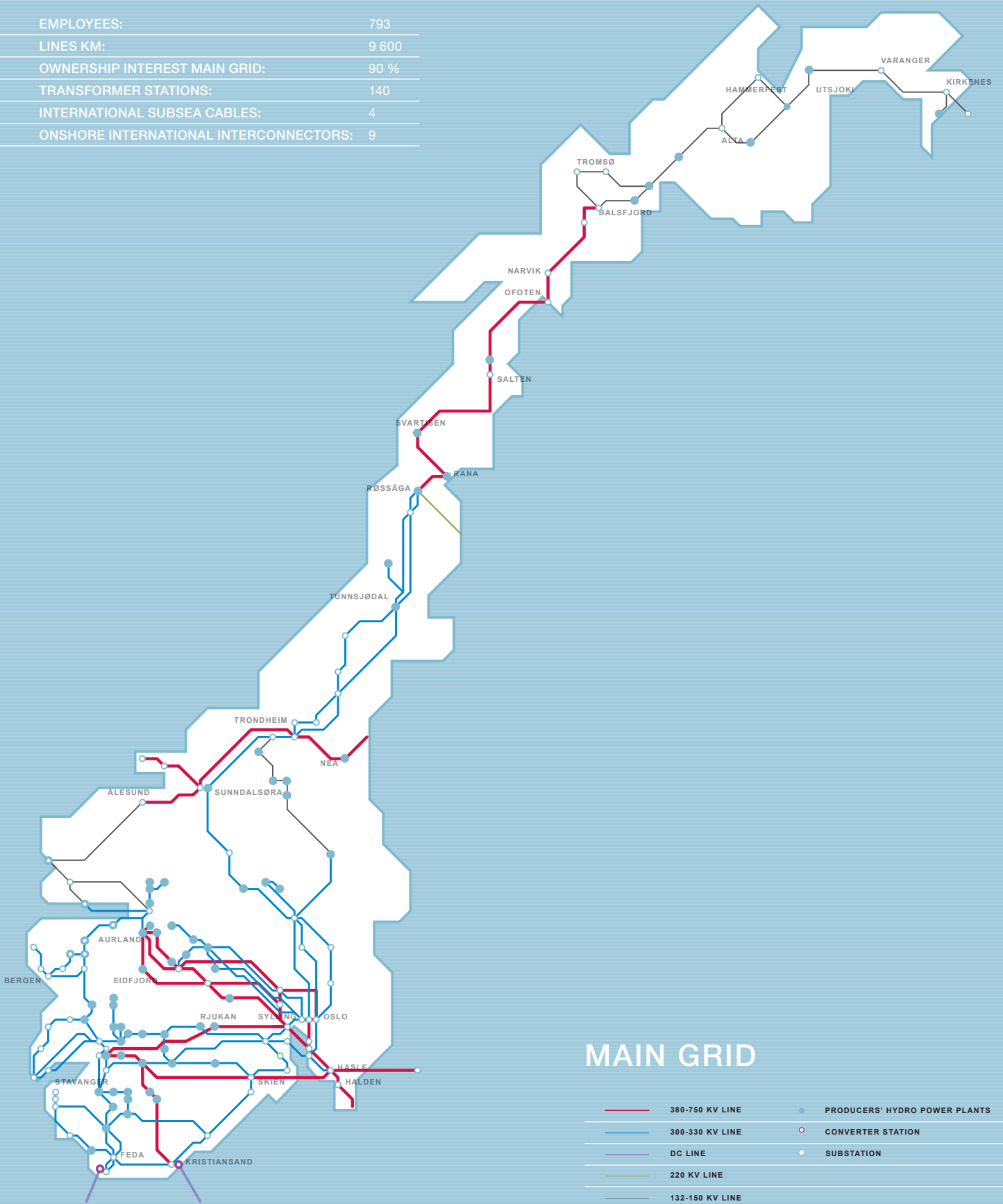
Return on total assets: $\frac{\text{Profit/loss before tax} + \text{interest costs}}{\text{Average total assets}}$

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

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

STATNETT

EMPLOYEES:	793
LINES KM:	9 600
OWNERSHIP INTEREST MAIN GRID:	90 %
TRANSFORMER STATIONS:	140
INTERNATIONAL SUBSEA CABLES:	4
ONSHORE INTERNATIONAL INTERCONNECTORS:	9



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WE UNITE
NORWAY



“STATNETT PROVIDES A ROBUST
ELECTRICITY SYSTEM WHILST
PROMOTING GREEN SOLUTIONS AND
INCREASED VALUE CREATION”



THE PRESIDENT AND CEO'S COMMENTS

The winter of 2009/2010 was one of the coldest and driest in Norway since the year 1900. Consumption was sky high, peaking at a record level on 6 January 2010. The electricity system was put to the test, and passed. We were nevertheless reminded that a secure electricity supply should by no means be taken for granted. In the coming decade, Statnett will be a driving force in the work to ensure high security of supply for the future, whilst at the same time helping to solve climate change challenges and contributing to increased value creation for Norwegian society.

In order to be able to supply all regions with electricity even on the coldest and driest days, we must have sufficient transmission capacity. We have implemented a number of measures to improve the electricity system in Central Norway. However, the region cannot claim to have the same security of supply as the rest of the country until the new power line between Fardal near Sogndal to Ørskog near Ålesund is operative. The severe winter has again proved that consumption in the Hordaland region has grown to a level where we, for increasingly extended periods, have difficulties delivering a secure supply to the region. We also have extensive plans further north, including the electrification of new offshore installations.

Statnett is planning to invest a total of NOK 40 billion over the next ten years. By comparison, investments for the period 2000-2009 totalled NOK 14 billion. The investment represents a major step forward for Norway and a major commitment for Statnett. However, it also poses a challenge relating to supplier industry capacity. Moreover, the construction of new power lines in scenic surroundings is often met with opposition and debate, which is, of course, understandable. Consequently, it is important that Statnett enters into a constructive dialogue with local authorities and other affected parties during the planning phase. It is important to us to find solutions which will limit the impact on those affected as much as possible. However, we must also acknowledge that adverse effects are sometimes unavoidable. Unfortunately, we sometimes have to make the difficult choice between unaffected landscapes on the one hand, and a secure supply of electricity and equalisation of electricity prices on the other.

Furthermore, I would like to emphasise that a sound transmission capacity not only provides a secure supply of electricity and equalisation of electricity prices on a national scale, it is also important for Norwegian value creation and new climate solutions. Increasing our transmission capacity is vital for local and national value creation and will help reduce emissions of greenhouse gases both in Norway and

in Europe. Norwegian hydropower is well regarded in Europe, as the flexible nature of hydropower can be combined with European wind power to reduce emissions of greenhouse gases. This gives us an opportunity to turn Norwegian flexibility into an export commodity.

In Europe a major industry has developed due to a greater focus on renewable energy. According to EU estimates, 300,000 people were employed in the renewable energy industry in 2009. This figure has increased significantly in the last decade, and will continue to increase in the period leading up to 2020. A stronger focus on renewable energy will also create opportunities for Norway. However, Norway is in a situation where we are self-sufficient with almost 100 per cent pure energy in a regular year. Consequently, it will be difficult to justify large-scale grid developments without establishing closer links to other countries, particularly countries outside the Nordic region.

New cables to Europe provide opportunities, but will also imply increased investments onshore. Greater investments onshore will in this relation involve a combination of upgraded and new power lines. In other words, there is no easy way to meet future needs for a secure supply of electricity, new solutions for greater value creation and a better climate without interventions in the landscape. However, it is Statnett's objective to come up with robust, efficient and innovative solutions through a long-term approach, respect and a joint responsibility for doing what is best for our society. It is our responsibility to help establish a well-functioning power market, a responsibility that we do our utmost to fulfil, every single day – all year round.

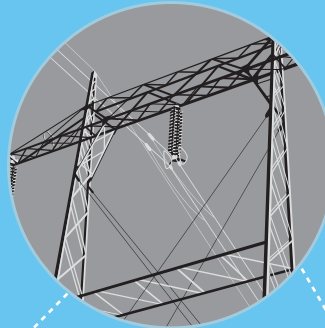
Auke Lont
President and CEO

NATIONAL GRID UNITES NORWAY



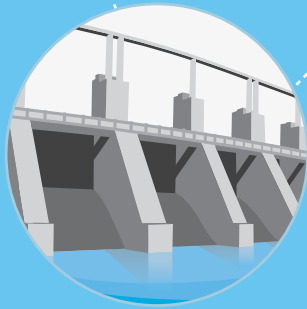
THE RAW MATERIAL

98 per cent of the electricity generated in Norway comes from hydropower.



THE MAIN GRID

The Main Grid is the “highway” of the electricity supply.



THE POWER STATIONS

Norway has a total of 750 power stations. They produce the power you use. The county of Rogaland generates most electricity in the country, closely followed by Hordaland and Sogn og Fjordane.



STEP-DOWN TRANSFORMER FACILITY

Before the electricity can be transmitted to regional and local grids, the voltage must be reduced.

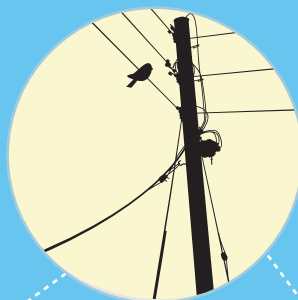
The Norwegian national electricity grid consists of more than 320 000 kilometres of power lines covering the entire country.

Electricity must be generated the same instant it is consumed. This means that every time you turn on the coffee maker the same amount of electricity that the coffee maker consumes, must be generated elsewhere.

Generation balance

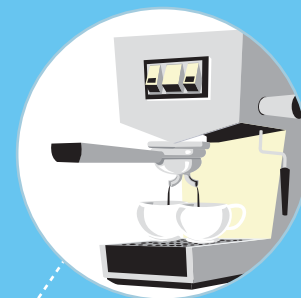
The amount of electricity that will be generated today is determined on the basis of yesterday’s trading on the international power exchange Nord Pool Spot. However, it is still common for imbalances to occur between electricity generation and consumption. In Norway, consumption is greatly influenced by the outdoor temperature. Fluctuations in temperature are therefore the most important source of uncertainty.

Statnett and the Swedish national grid company, Svenska Kraftnät, are responsible for correcting the total imbalance throughout the Nordic region. To do so, they use the common Nordic regulating power market. This is where generators and some major consumers put in bids to adjust up or down a given number of megawatts at a given price. The bids are collected in advance and sorted by price. When needed, the cheapest power is used first.



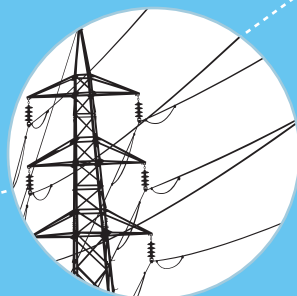
LOCAL GRID

This network transports the electricity to the various local communities and housing areas.



CONSUMER

Cup of Java, anyone?



REGIONAL GRID

This is a network owned by regional grid companies. Typically, a regional grid covers one county.



TRANSFORMER STATIONS

Before bringing the electricity on the final stage of its way to your house, the voltage must be reduced to 230 volts.

Statnett's main grid is made up of 10 000 kilometres of the highest-voltage power lines, the "highway" of the electricity grid.

The flow of electricity is monitored round the clock

The electricity system operates within physical limits which determine how much electricity a power line can take before the volume of traffic becomes too great for it to handle. To monitor and regulate the flow of electricity on the power lines, Statnett operates one national control centre and three regional control centres. The centres continually assess whether the strain is within the capacity of the grid. Moreover, the centres assess the risk and ensure that

the electricity reaches the consumers during planned outages, faults or if a bottleneck occurs due to particularly high electricity consumption.

Statnett operates on the principle that there should as a rule be at least two paths into an area. This provides an alternative path if problems arise on a power line.

Statnett's network of power lines has been built to withstand great strains. The most exposed power lines and pylons are dimensioned to withstand wind

speeds of up to 50 metres per second or more – i.e. hurricane force winds.

When faults occur

In the event that a power line or pylon should break down, safety mechanisms will ensure that these are disconnected to prevent personal injury or damage to equipment. Should such an incident occur, the regional control centres and the national control centre need to use alternative paths for the electricity. It normally takes from one to three days to repair a pylon.

THE ELECTRICITY MARKET

Electricity has no shelf life. This makes the sales process more complicated than in the case of commercial commodities that can be stored in a warehouse, supplied over the counter and used whenever the customer wants.

▶ When buying and selling physical products, the seller usually delivers the commodity directly to the buyer, who then determines when and how to use it. This is not the case with electricity, which has to be used the moment it is produced. Therefore, in order to supply electricity there must be a well-functioning system for determining how much the electricity should cost and how it should be delivered – without interruption and exactly when the user wants it.

PARTICIPANTS IN THE ELECTRICITY MARKET

In the Nordic countries, electricity is sold on the power exchange Nord Pool Spot, or directly from the producer to the buyer. The Nordic electricity market consists of many very different players: households, enterprises, large and small electricity suppliers, energy-intensive major industrial concerns, and everything from small local power plants to large electricity producers.

Important prerequisites for a well-functioning electricity market are good trading models and sufficiently numerous and large market participants.

The electricity market comprises a number of sub-markets:

We are all participants in the *retail electricity market* when we choose among electricity suppliers. The Nordic power exchange, Nord Pool Spot, is where the big players meet to buy and sell electricity. A considerable proportion of the power purchased on Nord Pool Spot is supplied to the retail market and then to the consumers.

The big players are also found in the *financial market*, which is where power derivatives are traded in order to hedge against future movements in the spot price, or to speculate in an attempt to make a profit on the price.

The power exchange Nord Pool Spot is the most important physical whole-

WHO'S WHO IN NORWEGIAN POWER SUPPLY

THE AUTHORITIES

The Norwegian Ministry of Petroleum and Energy (OED) is responsible for facilitating a coordinated and integrated energy policy. It exercises the ownership function of the Norwegian State in Statnett SF, Statoil ASA, Gassco AS, Petoro AS and Enova SF. OED is the final appellate authority for licences awarded by the NVE.

The Norwegian Water Resources and Energy Directorate (NVE) is the directorate responsible for managing Norway's water resources and hydro energy, and is the licensing body for Statnett.

Enova is responsible for facilitating the transition to more environmentally-friendly use and production of energy.

THE PRODUCERS

The electricity producers generate power from various energy sources, such as water and wind. The producers then sell the power on the international power exchange Nord Pool Spot and deliver it to the transmission grid. The electricity producers comprise all producers from Statkraft, responsible for one third of Norwegian power production, to small municipal and private facilities.



sale market for electric power. Nord Pool ASA and Nasdaq OMX jointly organise the financial market for electricity.

THE VARIOUS MARKETS

The physical market

The international power exchange Nord Pool Spot operates the most important marketplace for electricity. The electricity prices are determined by fluctuations in supply and demand over a 24-hour period. Nord Pool Spot sets the spot price, which forms the basis for the electricity prices to the end-users and functions as a reference price for financial contracts.

Elsport, Nord Pool Spot's market for trading in electricity for next-day delivery, has had a steadily rising market share in relation to total consumption in all the Nordic countries. In 2009, Nord Pool Spot's market share in the Nordic countries was 72 per cent, compared with 70.1 per cent in 2008. In addition to strengthening liquidity, the high market price has the effect of strengthening the spot price as a reference price.

The Nordic region is one market. However, due to restrictions in transmission capacity, it is divided into a number of price areas. Norway had three such areas at the start of 2010, Denmark two, whereas Finland and Sweden make up one area each.

The financial market

Nord Pool's financial market is where trading in financial power contracts takes place, that is to say in futures and forward contracts and in power options. Futures and forward contracts and options are used by generators and large end-users in the wholesale market for the purpose of price hedging and risk management.

The retail electricity market

The retail electricity market is deregulated in all the Nordic countries. Consumers participate in the Nordic electricity market through most of the suppliers purchasing electricity on the Nord Pool Spot power exchange and then selling it to domestic households. However, the retail market in the Nordic region is not harmonised and therefore does not function as a single

Nordic market. Although the end-users have a free choice of electricity supplier, they can for the time being only choose among domestic suppliers.

The regulating power market is used to balance the power system and to equalise imbalances between electricity consumption and generation.

Statnett monitors and analyses trade in the regulating power market with a view to identifying imbalances between planned production and expected consumption. Matters of particular importance are pointed out to the players involved and reported to the Norwegian Water Resources and Energy Directorate (NVE). The NVE will then implement measures to further increase the efficiency of the electricity market.

For more information about the electricity market, visit www.nordpoolspot.com.

THE GRID COMPANIES

Statnett owns most of, and is responsible for, the Norwegian national electricity grid. Statnett is also responsible for monitoring, co-ordinating and balancing the entire power system, so that the electricity reaches its destination in every region of Norway.

The local and regional grid companies own, and are responsible for, the local and regional electricity grids. Their job is to ensure that the electricity is transmitted all the way to your home.







STATNETT WILL

- ▶ ensure stable and secure electricity supply by coordinating generation and consumption
- ▶ ensure quality in the long term by developing the Norwegian National Grid
- ▶ offer access to the power transmission grid on equal terms through the Main Grid Commercial Agreement
- ▶ ensure accessible transmission routes by means of good maintenance practices
- ▶ enable the implementation of good climate solutions and increased value added

THIS IS STATNETT

Statnett is Norway's transmission system operator and as such has the overall responsibility for managing the operation of the national electricity system. Statnett is not responsible for the generation of electricity, but for ensuring that the electricity reaches the consumers.

▶ Statnett owns approximately 90 per cent of Norway's main power grid. This is made up of the highest-voltage power lines and substations, which transmit electricity to an entire region, a number of regions or the country as a whole.

Statnett will manage the main grid on the basis of sound socio-economic criteria. This means providing Norwegian consumers with a reliable supply of electricity with sufficient capacity and at the lowest possible overall cost.

Statnett will facilitate a well-functioning electricity market with a stable and high quality of delivery. The company is responsible for Norway's main power grid and has a statutory duty to ensure that it is open to all participants in the electricity market. In situations with a limited electricity supply, Statnett will also monitor the situation continuously and consider various measures that can be taken to assure the electricity supply.

Statnett SF is owned by the Norwegian State and organised pursuant to the Act relating to state-owned enterprises. The Ministry of Petroleum and Energy represents the State as owner.

Statnett's revenues are regulated by means of a revenue cap set by the Norwegian Water Resources and Energy Directorate (NVE). The purpose of setting an upper limit for revenues is to create predictable economic operating conditions for the grid companies, whilst also restricting the possibility for high returns from the grid operations. Most of Statnett's revenues are earned from leasing transmission facilities to the Main Grid Commercial Agreement. The Main Grid Commercial Agreement is intended to cover the costs

incurred by the owners of the national grid for developing and maintaining the grid.

STATNETT'S ROLES

Grid operations: Most of Statnett's operations are linked to co-ordinating, maintaining and developing the Norwegian national power grid. Amongst other projects, this entails major development projects to ensure a stable and secure electricity supply covering future needs for the whole country. Statnett is also establishing connections to electricity grids in other countries. The grid connections will facilitate exchange between the various markets. Such exchange will promote stronger competition in the electricity markets, stable electricity prices, a robust power system and positive environmental effects.

The Main Grid Commercial Agreement: Statnett is the operator of the Main Grid Commercial Agreement. The Norwegian Main Grid is owned by 22 Norwegian companies, of which Statnett is the largest with an ownership interest of approximately 95 per cent. In Norway, power transmission is a regulated monopoly. Thus, the Norwegian Water Resources and Energy Directorate (NVE) sets an upper limit (a revenue cap) for how much each grid owner can charge for its services. The purpose of the Main Grid Commercial Agreement is to ensure that the grid owners are paid for their services in accordance with applicable laws and regulations.

All participants connected to the Main Grid are customers under the Main Grid Commercial Agreement. In 2009, the Main Grid Commercial Agreement had approximately 65 customers. The customers are comprised of electricity producers, industrial compa-



nies and regional power companies. As the operator of the Main Grid Commercial Agreement, Statnett is responsible for establishing a uniform allocation of the grid tariffs (tariff structure) and the annual tariffs (tariff rates). The operator is also responsible for invoicing the individual customers according to the fixed rates. In addition to the tariff revenue derived from its customers, the Main Grid Commercial Agreement receives trading revenues from its international grid connections. The Main Grid Commercial Agreement is separate from Statnett's other activities.

Balance settlement: Statnett is responsible for ensuring that imbalances between planned and actual electricity generation and consumption are equalised and balanced for each player in the electricity market. Discrepancies

are calculated on an hourly basis according to the prices in the spot and regulating power market. Acting on behalf of the Norwegian authorities, Statnett is also responsible for Ediel, an international standard for electronic exchange of trading information in the power industry. Ediel automates and simplifies the players' administration of electricity and grid services. Moreover, Statnett is responsible for issuing guarantees of origin to Norwegian electricity producers. A guarantee of origin gives electricity customers the opportunity to choose the electricity they consume according to its product declaration.

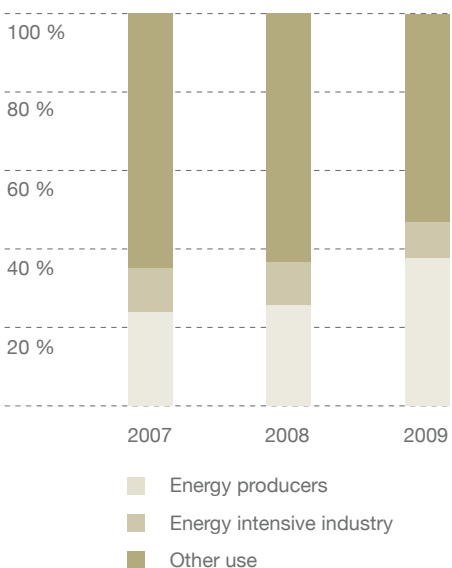
Subsidiaries

- The international power exchange *Nord Pool Spot* runs the largest power market in the world. 330 companies from 20 different

countries trade electricity daily on the exchange for delivery on the same or next day. The group has offices in Oslo, Helsinki, Stockholm, Fredericia (Denmark) and London. Nord Pool Spot is owned by the Nordic grid owners.

- The subsidiaries *Statnett Transport* and *Statnett Forsikring* are wholly-owned by Statnett. Statnett Transport carries out transport commissions in connection with development and maintenance, thus ensuring that Statnett implements its statutory duty to provide transport preparedness for the Norwegian power supply. Statnett Forsikring is a captive insurance company which provides insurance solutions and risk financing tailored to Statnett's needs. ◻

TARIFF REVENUES PER CUSTOMER CATEGORY (% SHARE)



NORD POOLSPOT TRADED VOLUMES 2004-2009



STATNETT SHALL PROVIDE NORWAY WITH A RELIABLE ELECTRICITY SUPPLY, WITH SUFFICIENT CAPACITY AND AT THE LOWEST POSSIBLE TOTAL COST

HOW ARE STATNETT'S REVENUES DETERMINED?

Statnett's revenues derive principally from the users of the Norwegian electricity grid and from Statnett's connections between price areas in Norway and to other countries. As Statnett is in a monopoly situation, its revenues are regulated and controlled by the Norwegian Resources and Energy Directorate (NVE).

- ▶ Each year, the NVE sets an upper limit, or revenue cap, on the amount of revenue Statnett can earn. The price (tariffs) that the users of the electricity grid have to pay is determined on the basis of this cap.

The basic principle applied by the authorities is that the revenues earned should cover costs over time, including a reasonable return on investments, provided that the grid is operated, utilised and developed in an efficient manner.

Revenue cap

The NVE audits and controls Statnett's costs each year. Statnett's cost level is also compared with similar undertakings. The result of these comparisons and Statnett's actual costs form the basis for calculating the revenue cap. The revenue cap is calculated annually and changes in costs are quickly reflected in the revenue cap.

Statnett's revenues are furthermore adjusted according to quality of supply. Outages will lower Statnett's annual revenues. Conversely, Statnett is rewarded if quality of supply improves over time.

The basis for calculating the return on investments is a risk-free interest rate (5-year Norwegian government bonds) plus a risk premium of about 3%.

Lower revenue in 2009

The tariffs make up a significant part of Statnett's revenues, and are set annually. In 2009, actual operating revenues were considerably lower than expected and also lower than the revenue cap set by the authorities.

There were two main reasons. Firstly, the tariff for 2009 was reduced in order to pay back excessive revenues in 2008. Secondly, the revenue allowed for 2009 was increased after the tariffs were set for 2009.

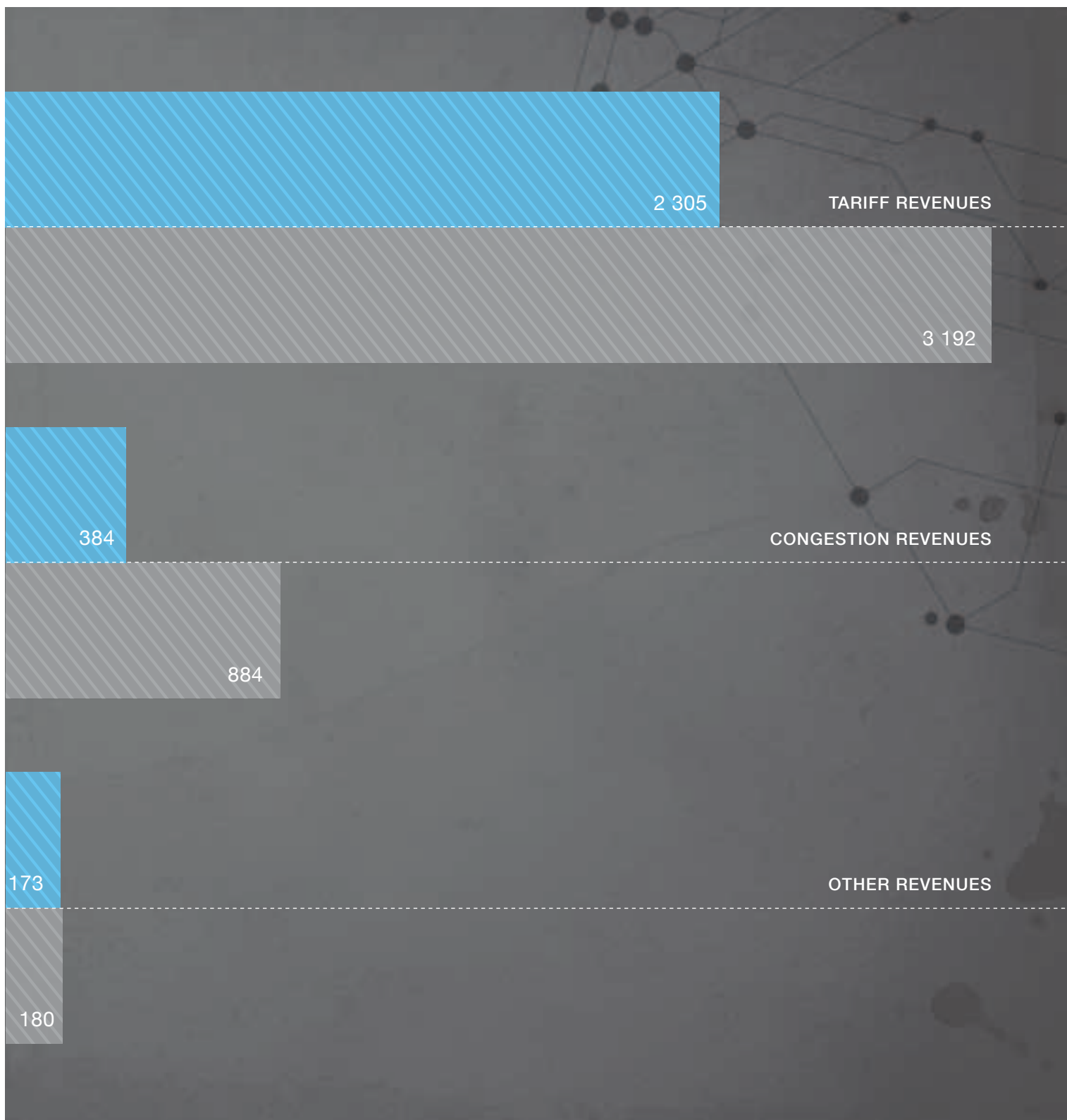
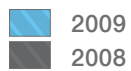
At year-end 2009, Statnett can recover NOK 607 million through higher tariffs in 2010 and onwards.

Over time, Statnett's revenues should correspond with the level allowed by the authorities. Under the current accounting principles, lower revenue is not recognized as an asset in Statnett's balance sheet. ◻



WHERE DO STATNETT'S REVENUES DERIVE FROM?

(NOK mill.)



New power lines ensure

ELECTRICITY IN THE SOCKET

Electricity in the socket, sound climate solutions and value creation. These are the main reasons why Statnett is planning to spend NOK 40 billion to expand the main power grid over the next ten years.

▶ In North Norway, Statnett is planning to construct a new power line to run approximately 500 kilometres from Ofoten to Hammerfest. Statnett is also considering an extension from Skaidi, one of the locations on the stretch, to Varangerbotn, and plans for a power line from Varangerbotn to Skogfoss are already in place. In the longer term, the company is considering constructing a circle of lines which will connect the northern areas of Norway, Sweden and Finland.

The planned power lines in North Norway are important to maintain security of supply in the region. Moreover, consumption in the region is increasing rapidly. The fact that the petroleum industry along the coast of Finnmark primarily wants to use electricity generated without emissions of CO₂ is good news for the environment. The environment will also benefit from new power lines which will allow for the construction of more wind power facilities and small-scale

power plants. Furthermore, industrial developments and renewable power generation will generate value for the region.

Central Norway has been a priority area for Statnett for several years, and a reliable supply of electricity to the region remains at the top of the company's agenda. Much has already been achieved through transformer station upgrades, reserve power plants and a new power line to Sweden. However, one section remains to be completed: the planned power line between Sogn and Sunnmøre. When this is in place Central Norway will have the same security of supply as the rest of the country. Moreover, this power line is vital for the transmission of power from planned small-scale power plants in Sogn og Fjordane to consumers.

Statnett also has extensive plans for the construction of wind farms in Central Norway, and is planning to construct a new power line from




Namsos over Fosen and on to Orkdal or Surnadal, which will facilitate the construction of new renewable energy assets in the area.

Plans for West Norway mainly involve ensuring that the consumers have a secure supply of electricity in their sockets. Hordaland, and in time also the Stavanger area, are regions where the electricity supply is prone to faults, increasing the risk of blackouts. The planned new power line between Sima and Samnanger will improve the situation. Other companies' plans to install new power lines in West Norway are also important in this connection. This part of the country also has a potential for more renewable energy generation. However, as for other regions, generation depends on a well-developed transmission grid.

New subsea cables are under planning from the coast of South Norway to other European countries. The new cables will facilitate generation and

consumption of renewable energy both in Norway and in other European countries. Furthermore, they will supply Norwegian consumers with electricity in dry years. The new subsea cables will require better transmission routes with higher capacity to and from the cables' terminal points. Plans for South Norway first and foremost involve replacing the current 300 kilovolt power lines with a 420 kilovolt power line. This will greatly increase the capacity at a relatively reasonable cost, whilst also avoiding major new disruptions to the landscape.

Security of supply is our main objective also for East Norway. Consequently, Statnett will install new cables across the Oslofjord and upgrade several transformer stations. In time, several of the 300 kilovolt power lines in the area will be upgraded to 420 kilovolts. In collaboration with the Swedish grid operator Svenska Kraftnät, Statnett is considering constructing a direct current cable between the countries in

East Norway. This would result in more efficient utilisation of the common energy resources in the two countries than is currently the case. Moreover, it would reduce the risk of blackouts and be useful for planned Swedish wind farms as well as for Norwegian renewable energy. 



BY UPGRADING THE CURRENT ELECTRICITY GRID AND BUILDING NEW NATIONAL AND INTERNATIONAL INTERCONNECTORS, STATNETT WILL ENSURE THAT HOUSEHOLDS AND COMPANIES THROUGHOUT NORWAY RECEIVE A STABLE SUPPLY OF SUSTAINABLE ENERGY

Reduced CO₂ emissions and increased value creation through building MORE INTERNATIONAL CABLES

More international interconnectors will aid the development of tomorrow's energy supply in Norway and Europe, based on renewable energy. In the period leading up to 2020, Statnett is planning to establish four new cable connections between Norway and continental Europe, with a total capacity of up to 4200 MW. The projects will be self-financed, and profits will help reduce grid tariffs for Norwegian households.

▶ Norway is in a unique situation. With substantial hydroelectric power production facilities, established through many generations, 98 per cent of the electricity currently generated in Norway comes from hydropower. This is about twice as much as in any other country in Europe. 60–70 percent of the hydroelectric power comes from mountain reservoirs. Reservoir-based hydroelectric power has high regulating capacity which means that it can be generated as and when required. Consequently, hydropower is in demand and could become an important resource for Europe as wind power becomes increasingly common. Wind power is also a renewable source of energy, though less stable than hydropower. During periods of light or no winds, hydropower can help reduce CO₂ emissions from coal power plants and gasworks.

Statnett's new connections to continental Europe open new opportunities for Norway through increased value creation, more stable electricity tariffs, greater competition in the electricity market and a more robust electricity supply. These advantages apply to all of Statnett's cable projects.

However, more cables to shore and a greater proportion of wind power will make the daily operation of the electricity system more challenging than is currently the case. It will mean that Statnett, as the system operator, will have an even more complex task of overseeing operations, maintaining the international interconnections and seeing these tasks in conjunction with the electricity system and the general power situation in Norway.

SKAGERRAK 4

Statnett is expecting a decision on its licence application for a fourth cable to Denmark in 2010; the Skagerrak 4 cable. The new interconnector will have a capacity of 700 MW, of which 100 MW will be spare capacity to be used during periods with little wind and lower than expected electricity generation in Denmark. The interconnectors to Denmark form an important part of the Nordic electricity system, enabling Nord Pool Spot to function as one common electricity market. The existing cables were installed in the 1970s and 1990s. A fourth cable to Denmark will provide a more robust connection. The project will be completed in 2014 and is estimated to cost NOK 3 billion in total. The Skagerrak 4 project is a collaboration between Statnett and the Danish system operator Energinet.dk. The total capacity to Denmark after installation of the Skagerrak 4 cable will be 1700 MW.

NORNED 2

Statnett and the Dutch system operator TenneT are considering laying a second cable to the Netherlands. The existing NorNed cable, which became operational in 2008, is by far the longest subsea cable in the world and one of the reasons why Statnett has acquired world class cable competence. NorNed was the first cable to connect Norway directly to a market outside the Nordic countries. From the very beginning, NorNed was a socio-economic success, paying back more than one-fourth of the original investment during the course of 18 months. 2008 was a wet year in Norway resulting in a lot of available hydropower on the Nordic market, large exports and reduced CO₂ emissions from the



Netherlands. A new cable is planned with a capacity of between 700 and 1400 MW, cost approximately NOK 5 billion and is expected to become operational in 2016.


NORD.LINK

A large proportion of Germany's electricity comes from wind power, particularly in the coastal areas near Bremen and Hamburg, where major new projects are under planning. The NORD.LINK cable will provide closer links between the electricity markets in the Nordic countries and Germany and help balance Norwegian and German electricity generation. When the wind blows in Germany, German wind power will be exported to Norway, whereas on calmer days Norwegian

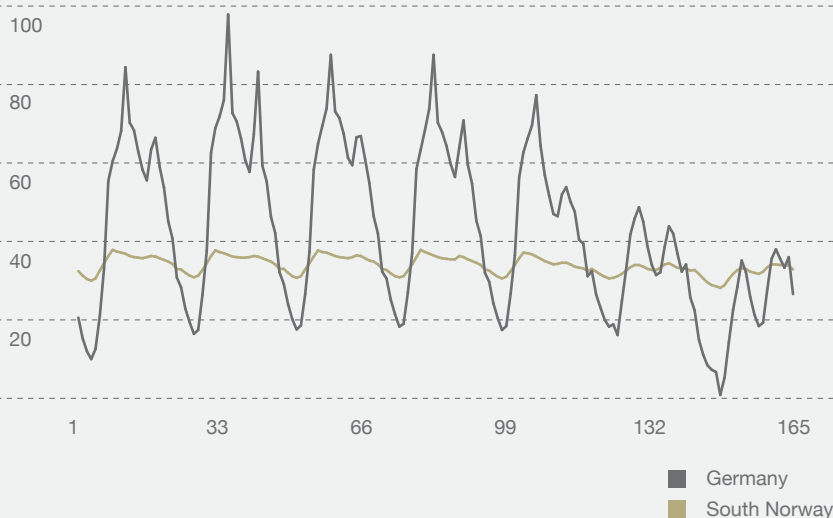
hydropower will be exported in the opposite direction. Together with the German grid owner Transpower, Statnett and Transpower has carried out a feasibility study which has established that such a cable would be profitable (cf. the figure below). A licence application will be submitted to the Norwegian authorities by 1 April 2010. The planned capacity of the NORD.LINK cable is 1400 MW. The total cost of the cable, which can be completed in 2018, is estimated at NOK 12 billion.

CABLE TO THE UK

Statnett is planning to establish a power connection between Norway and the UK in collaboration with the British system operator National Grid.

The connection would be operated as an independent project. However, the feasibility of a link to major planned wind power developments and electrification of petroleum installations will be assessed. The UK cable is still in its early planning phase. Studies have established that the cable would be commercially viable and that it, as the company's other cable projects, would contribute to increased value creation, a reduction in the emission of greenhouse gases and a more robust electricity system. The UK cable has a planned capacity of 1 400 MW, is estimated to cost NOK 12 billion in total and is expected to become operational in 2020. 

AVERAGE WEEKLY PRICE STRUCTURE IN GERMANY AND SOUTH NORWAY 2002-2008



The figure shows the average price structure for one week in South Norway and Germany respectively. The figure shows the average price of all 168 hours of the week. It establishes that German prices vary significantly throughout the week, and that they are particularly high on weekdays and low at night and during weekends. The Netherlands and the UK have similar price structures. A more robust grid in Europe and more mature and efficient markets may to some extent equalise major variations in the price structure of these countries. However, this is unlikely to make up for the effect of a more unregulated electricity generation in Northern Europe, for instance from wind power. This means that export to these markets is expected to be commercially viable – also in the future.

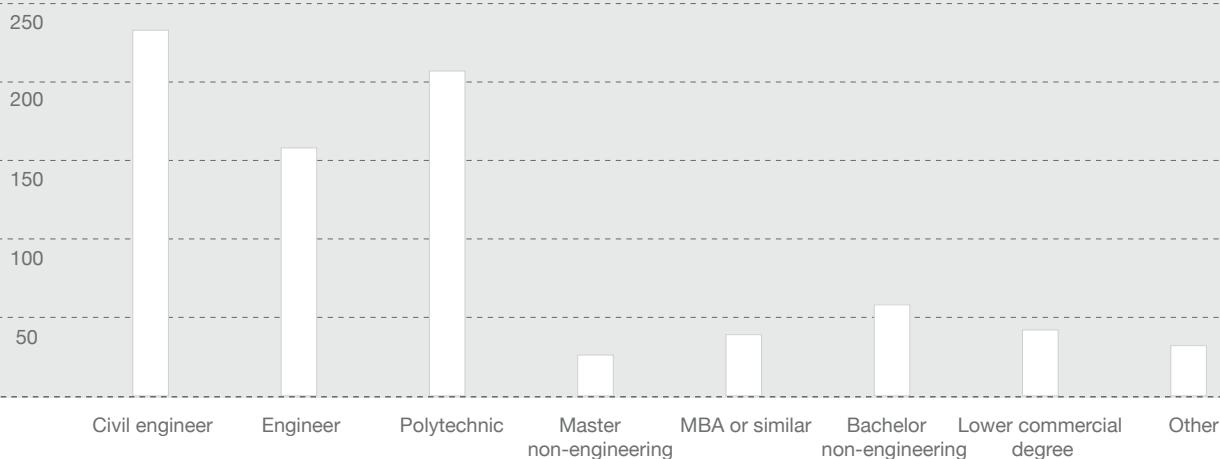




CORPORATE SOCIAL RESPONSIBILITY

Statnett's fundamental values are: a long-term perspective, respect and community. Through a long-term perspective, Statnett will be responsible for developing the energy sector over time and for balancing the daily requirements against a long-term perspective. By showing respect, Statnett will be humble in exercising its corporate social responsibility and perform its role with respect for the world around us and for the views of others. By promoting community ethics, both internally and externally, Statnett's employees will help each other to achieve the best results and show that we play a positive role in Norwegian society. These fundamental values will lay the groundwork for how Statnett will exercise its corporate social responsibility.

EDUCATIONAL LEVEL STATNETT SF EMPLOYEES 2009



RESEARCH AND DEVELOPMENT FOR INCREASED VALUE CREATION

Statnett is working in an innovative and future-oriented manner, extensively using research and development (R&D) as a tool for value-creation and innovation. R&D is a prerequisite for developing new products, methods, solutions and expertise in key areas.

New programmes

In 2006, Statnett changed the direction of its R&D focus, deciding to concentrate R&D activities on a limited number of areas. In the same year, Statnett defined three-year strategic programmes for prioritised areas. The initial three-year period ran from 2006 to 2008. In 2009, Statnett launched its second three-year period by introducing the following four new programmes:

- Northern European Balancing Power Market
- Nodes in Offshore Power Grids – Establishment and Operations
- Risk Handling in Operational Planning and Daily Operations
- Power lines and Biodiversity – a physical obstacle or new opportunities?

In addition to the four R&D programmes, Statnett focuses on two topical areas: Socio-Economic Models and Technological Development of Statnett's grid infrastructure. The two areas will cover R&D of relevance to Statnett's core areas, but that are not covered by the four programmes. The programmes and topical areas are important priority areas which will promote new knowledge and solutions and facilitate

the integration of renewable energy. They will also help promote greater value creation and security of supply.

Co-operation

Statnett cooperates closely with external expertise environments both in Norway and in other countries, such as other Transmission System Operators (TSOs), the supplier industry, ENTSO-E (European Network of Transmission System Operators for Electricity), the IEA's committees and the EU's R&D Framework Programme.

We also collaborate with teaching and research communities, including the Norwegian University of Science and Technology (NTNU), the energy research company Sintef and the Swedish Transmission Research Institute (STRI), which is co-owned by Statnett. Universities and university colleges are important collaboration partners in terms of recruitment, access to expertise, research and development implementation. Moreover, it will contribute to Statnett's profiling and help make Statnett more visible to potential employees. To forge even closer ties with universities and university colleges, we are working to strengthen our strategic collaboration with the environmental sector.

Statnett has contributed actively to the development of ENTSO-E's R&D plan. The plan will become an important R&D tool for transmission system operators in Europe and at EU level.

Statnett has also played a major role in Energi21, established in 2008 as the national strategy for research, development, demonstration and commerciali-

sation of energy solutions. The strategy process will continue as a permanent strategy. A number of task groups are now working to specify and draw up action plans for the strategy and adapt the recommendations in the various priority areas to the current market, technology, industry and expertise. Statnett is heading the efforts of the task group Energy Systems of the Future and will through this be able to impact the direction and content of Norwegian R&D energy solutions.

STRONGER CLIMATE AND ENVIRONMENT FOCUS

Climate and environmental considerations have become an integral part of Statnett's new Group strategy. It represents one of the three pillars of our strategy, along with security of supply and value creation. This is to ensure that Statnett's organisation consistently safeguards environmental and climate considerations. By facilitating for the phase-in of renewable energy, Statnett will develop the main grid as an important tool to achieve the national climate goals. At the same time, Statnett will develop and operate its facilities with respect for nature.

Environmental focus in R&D

One of the new R&D programmes launched in 2009 concerns environmental adaptation of power lines. Two of the other programmes, Northern European Market for Balancing Power and Nodes in Offshore Power Grids, also have a climate/green dimension. We have worked on placing specific R&D projects with our partners, such as suppliers, R&D institutions and universities.



The results from the first sub-projects will form the basis for the further work in 2010. Furthermore, Statnett has drafted a proposal for a new R&D programme related to Smart Grid. The programme is scheduled for implementation in 2010. Smart Grid enables two-way communication e.g. to and from home appliances. Under the programme, Statnett will develop applications that will contribute to cost-efficient and environmentally sound utilisation of the power system, meaning that also this programme has a clear green dimension.

Stricter environmental requirements for the supplier chain

Statnett has prepared new ethical guidelines for suppliers as well as a new procurement policy. The guidelines set clear requirements and expectations for the companies' environment and climate commitment. Moreover, a new HSE group policy will be drawn up in 2010 which will include the external environment. The new policy will set strict requirements for Statnett's own environmental performance.

Towards the end of 2009, Statnett's administrative activities in Alta and Sunndalsøra received the Eco-Lighthouse certification. The main office in Oslo has been certified since 2004.

In 2009, Nemko AS renewed Statnett's ISO certificate for environmental management in accordance with the recertification process established in the ISO 14001:2004 standard. The certification is now valid until February 2010.

RECRUITMENT AND EMPLOYEE DEVELOPMENT

Statnett is facing major investments

and development projects in the years ahead. In order to realise these plans, the company will need to be staffed with sufficient expertise of the right kind. We are therefore investing in development and learning which accord with Statnett's strategies and core values, and which will help meet our future needs.

Statnett stresses the importance of promoting a good working environment and committed employees. A strategic expertise development process (SKUP) has been implemented which will contribute to a systematic and uniform follow-up of objectives, conduct, performance, strengthened development opportunities, as well as ensuring that Statnett retains and develops strategically important expertise. To maintain the focus on good management practices, we also organise regular internal management seminars.

Furthermore, Statnett carries out regular surveys aimed at measuring staff motivation and staff perception of compliance with the requirements Statnett's management must abide by. Statnett participates in Great Place To Work, a tool designed to evaluate, benchmark and draw attention to working environment issues. Each year Great Place To Work selects the best companies to work for both nationally and internationally. The management follows up the surveys themselves, reviewing results and improvement measures. The Great Place To Work survey conducted in the autumn of 2009 showed a high total satisfaction score of 87 per cent. In March 2010, Statnett was voted the 9th best place to work among Norwegian companies with more than 250 employees.

Internal mobility and recruitment

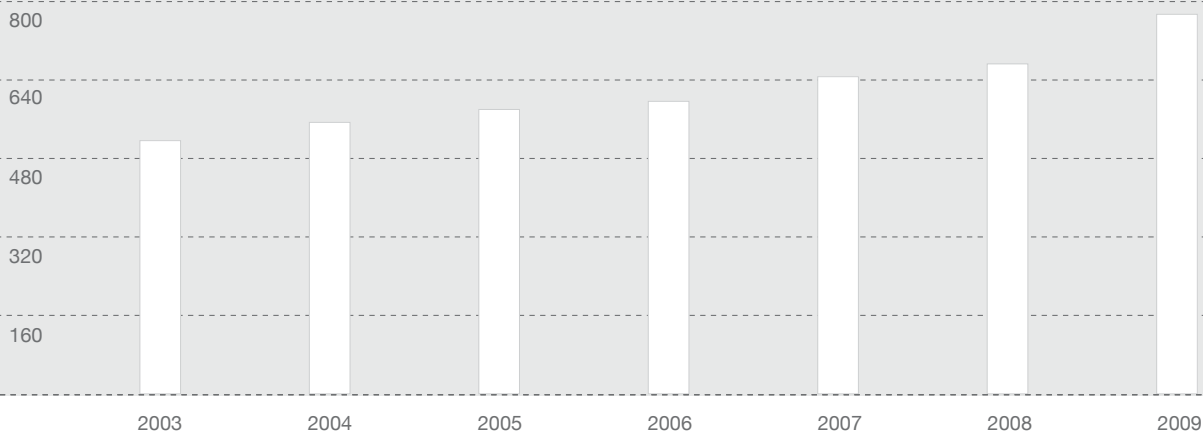
Statnett invests broadly in the development and dissemination of expertise across the entire company. In 2009, 42 employees changed jobs internally in Statnett. The SKUP process also helps us to further strengthen our focus on internal mobility.

Statnett recruited 135 new employees in 2009. The number of applicants for advertised vacant positions has increased compared with 2008. In 2009, Statnett had an overall staff turnover, excluding retirement, of 2.54 per cent. This is down slightly from last year.

In order to attract talented graduates from universities and university colleges, Statnett has established a permanent trainee scheme. In 2009, Statnett had five trainees, including one from the trainee collaboration with SINTEF, Energy Norway, NVE and other grid companies in the industry. All the trainees received work practice in different parts of Statnett's activities.

Statnett will continue its collaboration with universities and university colleges in the coming years. Our activities are aimed particularly at the technical departments of NTNU (Norwegian University of Science and Technology in Trondheim) and the colleges of advanced engineering, especially those offering electrical subjects, as well as other college and university departments offering energy and environmental sciences. Statnett participates in a number of job fairs organised by students. In 2009, Statnett organised KUBE, a summer project for students. The students were given a specific problem that they would address in the course of the summer. They then presented their main conclusions to the group management in August.

NUMBER OF EMPLOYEES IN STATNETT (man-labour years, permanent employees)



Statnett also provides opportunities for students to work in summer jobs, and to write project papers and master's theses.

Equality and diversity

Statnett has for many years worked systematically to get more women into management and technical positions. Women and men in comparable positions receive equal pay, while staff surveys show that both genders believe that women and men have equal opportunities in Statnett.

We have set up practical schemes designed to allow women and men to combine work and family life successfully. Statnett runs its own day-care facilities, has a scheme of extended parental leave for employees with young children, and practises flexible working hours. Statnett has observed that male employees at all levels are using more of their parental leave than previously, and that the mothers and fathers of young children spend equal amounts of time at home looking after sick children.

Statnett will continue the effort to recruit more women to management and technical positions. We wish to promote the participation of women in the boardroom across the entire Statnett Group, and take a positive view of female employees being elected to the boards of other companies.

Statnett wants a diverse and varied organisation. Our job advertisements explicitly encourage people to apply for a position in Statnett, regardless of gender, ethnicity or age.

SPONSORSHIPS GREAT AND SMALL BUILD THE COMPANY BRAND

Statnett builds its company brand through everything from large, national advertising campaigns to contributions to local sports and cultural activities. Moreover, the company uses sponsoring on a national level as a measure to raise awareness of and disseminate knowledge about Statnett and the important role the company plays in society.

Statnett is involved in technically advanced activities that are difficult to explain to the general public. Consequently, we make use of alternative channels to communicate Statnett's role in society and explain the company's activities – be it through adverts on TV2, profile advertisements in newspapers and magazines, banners in sport stadiums or adverts in the programme of a local cabaret featuring one of our employees.

Local contributions through our own employees

Statnett wants to make a positive contribution to local communities. We encourage our employees to get involved locally, in sports organisations and other cultural activities. As an extra incentive, Statnett awards grants for local children's and young people's activities. All Statnett employees throughout Norway can apply for support of this kind. To be awarded funding, a Statnett employee must hold office or fulfil some other active role in the event or organisation concerned. The activity must have a clear, non-profit purpose.

ETHICS

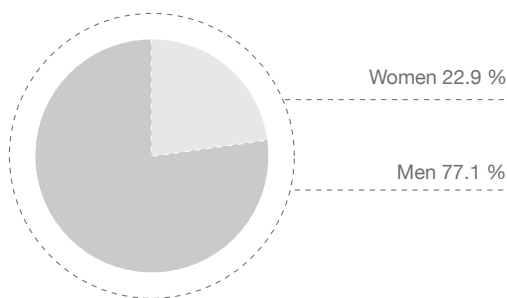
Statnett manages large communal natural resources. Because of this and because of the role Statnett plays in the electricity system, we must demand absolute integrity of ourselves and never waver from our ethical principles. As one of the first companies in Norway to do so, Statnett appointed its own Ethics Ombudsman in 2006. The Ethics Ombudsman is an officer of the company whose duty it is to strengthen the legal protection of employees and to help uncover censurable conditions and shortcomings within the company.

In Statnett, the office of Ethics Ombudsman is held by a lawyer in our Legal Department.

The role of Ethics Ombudsman

The job of the Ethics Ombudsman is to ensure that undesirable work cultures and attitudes do not develop and proliferate. Statnett employees are expected to act as good role models, and Statnett gives this high priority internally. Statnett's employees are expected to conduct themselves with honesty and decency, in an open and transparent organisation that complies with its own rules, laws and regulations. We shall not behave in a manner that could compromise Statnett's neutrality, integrity and credibility. We are not permitted to accept gifts or services that might influence our conduct or our independence.

Furthermore, the Ethics Ombudsman has a duty to comply with the Working Environment Act with regard to notification or "whistle-blowing". The Act states that any employee has the right to report or "blow the whistle" on any



censurable conditions in the workplace, and that such whistle-blowing is both lawful and desirable.

“Censurable conditions” mean, among other things, any matters that are unlawful, or which violate the company’s ethical rules, or which create a bad working environment, a poor work culture in general or result in damaging activity. Statnett has a duty to enable staff to report censurable conditions internally within the business, and the Ethics Ombudsman scheme is aimed precisely at this.

The Ethics Ombudsman is charged with undertaking investigations in response to issues raised by employees or employees’ unions, to provide guidance for employees on ethical matters, and to raise matters on the Ethics Ombudsman’s own initiative. Although ethical problems should be dealt with initially within the line organisation, the Ethics Ombudsman can also be contacted directly. A very important principle that the ombudsman observes is the requirement for anonymity, whereby the “whistle-blower” need not give his or her name. This principle encourages staff to report matters that would not otherwise have been addressed.

Greater awareness, increased commitment

The Ethics Ombudsman scheme has helped put ethics higher on Statnett’s agenda and make staff far more aware of ethical issues. Statnett continues to note considerable commitment and interest among staff in the ombudsman scheme and in ethical matters in general. The Ethics Ombudsman reports annually to the Group management and to the Board concerning the number of notifications and the number of matters dealt with. In 2009, the Ombudsman handled about 25 cases,

compared with 15 cases in 2008. The Ombudsman also handled a number of minor matters. Although clearly unsettling to the persons involved, none of the reported matters have been of serious consequence to Statnett as a company. The anonymity principle otherwise sets clear limits for the degree of detail that can go into the report.

Actions and rules

The Ethics Ombudsman is presented to all new employees at Statnett. The Ombudsman also holds presentations for staff who have worked for the company a while. In 2009, the Ethics Ombudsman held presentations for 20 per cent of the employees.

In 2009, Statnett started the process of updating its ethical guidelines. The updates are part of a larger project also involving Statnett’s suppliers. The final guidelines are expected to be adopted in early 2010.

Statnett requires that anyone receiving a benefit or a gift (such as a dinner, tickets to a concert or sports event, and Christmas gifts) of a value of more than NOK 500 must clarify this with his or her manager. Having an overview of gifts of this nature is primarily the responsibility of the management, but will also be followed up personally by the Ombudsman.

PROCUREMENT

Statnett makes high demands of quality, cost-effectiveness and delivery reliability within ethically acceptable limits. Our procurement principles are based on openness, fairness, transparency, predictability and equal treatment.

It is Statnett’s policy to provide the market with information both prior to

and following major procurements. We post project information on Statnett’s website when projects are submitted to the authorities for deliberation. As part of our process of continuous improvement, we frequently offer detailed feedback to suppliers whose tenders are not accepted, so that they have the opportunity to be more competitive next time.

Statnett is in a phase of making substantial investments. Over a ten-year period, investments are planned of up to NOK 40 billion – largely for upgrading, strengthening and improving the electricity grid. Several major projects are planned for implementation concurrently, or with significant overlap. Ensuring that the company has the necessary expertise and capacity to implement these projects will pose significant challenges.

A well-functioning market with professional and serious players is, therefore, more important than ever. Statnett seeks to co-operate with competitive suppliers who can contribute to keeping costs down.

We expect our suppliers to comply with our ethical requirements and our health, safety and environment (HSE) requirements, and to address environmental concerns seriously.

In recent years, there has been an increasing focus on corporate social responsibility, the external environment, safety and welfare. For companies such as Statnett, the responsibility for such issues extends not only to our company and contractors, but also to their subcontractors. The growing awareness of these issues, and the large projects that Statnett is planning, mean that this will be even more important in the years ahead. ◻





CORPORATE GOVERNANCE

Statnett is an independent state enterprise, established under the Act relating to state-owned enterprises and owned by the Norwegian State through the Ministry of Petroleum and Energy. Statnett is financed through the financial markets, and is wholly responsible for its obligations.

▶ GOVERNING BODIES

Statnett's governing bodies establish the enterprise's fundamental governing principles. These comprise constitutional principles related to public ownership, regulations, the Norwegian State's own corporate governance principles, fundamental values, ethical guidelines for employees and suppliers, and the enterprise's policy for management, governance and control. Moreover, the governing principles comprise instructions to the Board of Directors, mandates for the Management Committee, the President and CEO's job description and authorisations.

The owner

The state ownership is governed in accordance with Article 19 of the Constitution of the Kingdom of Norway "The King shall ensure that the properties and regalia of the State are utilised and administered in the manner determined by the Storting and in the best interests of the general public." The administration of Statnett has been delegated to the Ministry of Petroleum

and Energy (OED). The Minister's administration of ownership is exercised under constitutional and parliamentary responsibility. The consent of the Norwegian Parliament must be obtained to increase the enterprise's capital. The sale of assets would entail a legal amendment and requires the consent of the Norwegian Parliament.

The Enterprise General Meeting

The Ministry is the enterprise's supreme decision-making body at the Enterprise General Meeting. The following issues are discussed and settled at the ordinary general meeting: adoption of the enterprise's profit and loss account and balance sheet, including application of profit or coverage of loss for the year, adoption of the consolidated profit and loss account and balance sheet, and any other matters that pertain to the General Meeting according to Norwegian laws and regulations, also including election of the Statnett Board of Directors and stipulation of remuneration levels for board members and the board committee. The Ministry's authority in the enterprise may not be exercised outside the

General Meeting. The General Meeting adopts Statnett's articles of association, including Statnett's objects clause which provides the framework for the operations that Statnett may undertake. The regular General Meeting is held each year before the end of June.

Owner's Meeting

The purpose of the Owner's Meeting is to create an informal forum where the Board of Directors and the owner can exchange opinions and discuss issues of great financial or strategic importance to Statnett. The views expressed by the owner at the Owner's Meeting provide input for Statnett's administration and Board of Directors. Issues requiring owner approval must be discussed at the Enterprise's General Meeting.

The User Council

Statnett shall have a User Council consisting of six members appointed by the General Meeting and representing stakeholder organisations. The User Council shall discuss matters which pertain to Statnett's regulated monopoly and administrative tasks. Should the Board of Directors make a decision which conflicts with the recommendations of the User Council, the Council may, if the majority of the members so vote, submit the case to the owner for discussion at the General Meeting.

The Board of Directors

The Board of Directors has overall responsibility for ensuring that Statnett's operations are prudently managed. The Board of Directors shall appoint and dismiss the President and CEO and oversee the President and CEO's management of the enterprise. The Board of Directors shall prepare Statnett's strategy, ensure that Statnett is organised in an efficient and satis-

factory manner, adopt budgets and ensure satisfactory asset management, a good working environment and that Statnett complies with regulatory requirements, laws and regulations.

The Audit Committee

The Statnett Board of Directors has established an Audit Committee which will function as a preparatory body to the Board of Directors. The responsibilities of the Audit Committee include making preparations for the board of Director's follow-up of the financial reporting process, monitoring the systems for internal control and risk management and the enterprise's internal audit process, maintaining continuous contact with the enterprise's appointed auditor with regard to the audit of the annual financial statements, and assess and monitor the auditor's independence according to the Audit and Auditors Act.

The Remuneration Committee

In order to assist the Board of Directors in the stipulation of the President and CEO's conditions of appointment, main principles and framework for remuneration of the Statnett Group management, the Board of Directors has appointed a Remuneration Committee. The Committee reports to the Board of Directors and functions as an advisory body.

External auditor

Statnett shall have one or more external auditors. The auditors shall be appointed by the General Meeting. At least one of the auditors shall be a registered or state-authorised public auditor.

Statnett's corporate management framework

The Board of Directors and the Group management establish the framework for the enterprise's activities in order to

meet the adopted objectives. The framework consists of three levels of documentation.

Level 1 comprises management policies adopted by the Board of Directors. Level 2 consists of function policies adopted by the President and CEO in key areas such as economy, authorisation structure, communication, legal issues, procurement, finance, HR, as well as HSE and the external environment. Level 3 consists of procedures, also called manuals. These are adopted by the executive vice president for the relevant function.

Together with the quality system, these three levels comprise the governing documentation in Statnett.

OUR FUNDAMENTAL VALUES

Our fundamental values form the very core of Statnett's management system and contain the tools we need to help us do the right things in the right way. The fundamental values lay the foundation for building a positive, responsible, and sound corporate culture of trust and cooperation at all levels.

Our mission

Statnett will build the next-generation main grid to maintain security of supply, contribute to value creation and pave the way for better environmental solutions.

Our values

To succeed our organisation must be based on sound values. Statnett's values are long-term perspective, respect and community. These values describe the basic attitudes necessary to succeed and set the standard for the conduct of employees and the management.



Our main objectives:

Security of supply

Statnett shall maintain security of supply through a grid with satisfactory quality and capacity.

Value creation

Statnett's services shall create value for our customers and for Norwegian society at large.

Climate

Statnett shall facilitate the realisation of Norway's climate objectives.

- Statnett shall carry out its operations without personal injuries and with respect for our natural environment.
- Statnett shall be recognised as a user-oriented organisation.
- The enterprise's deliveries shall bear the mark of our values.

Management policies

Our management and function policies form a cornerstone of Statnett's corporate governance and the enterprise's further development of a positive, responsible and sound corporate culture.

The Group management is responsible for ensuring that the enterprise complies with the management policies through routines and procedures which effectively ensure value creation for all players and in which the scope of authority and responsibilities are clearly described, mutually understood and complied with.

Statnett has set policies for internal ethical guidelines, as well as ethical guidelines for our suppliers. The policies have been adopted by the Board of Directors and are central to how we discharge our corporate social responsibility.

Internal ethical guidelines

Through our operations, Statnett will demonstrate that it is possible to achieve good results without compromising our ethical standard as reflected in our ethical guidelines. Our ethical guidelines cover areas that are important to ensure good business ethics in all aspects of our activities. The guidelines lay down specific and practical rules, and set standards for the conduct of all employees. Failure to comply with the ethical guidelines may result in sanctions, depending on the nature and scope of the breach. The ethical guidelines apply to members of the Board of Directors, the Group management, employees, temporary personnel and all others who act on behalf of the enterprise (cf. Statnett's website for further details: <http://www.statnett.no/no/Om-Statnett/Eierskap-og-rammer/>).

Ethical guidelines for suppliers

Statnett puts particular emphasis on ensuring that our suppliers and partners comply with our ethical guidelines for suppliers. The suppliers' obligation to comply with the ethical requirements is stipulated in the contracts we enter into with our suppliers. (Cf. Statnett's web page: <http://www.statnett.no/no/Om-Statnett/Eierskap-og-rammer/>).

Openness

Maintaining a reputation as a solid and trustworthy enterprise is crucial to Statnett. The enterprise is governed by the Public Enterprises Act, regulations relating to dissemination of information to the power market and safety and preparedness legislation. Statnett distributes information in accordance with the regulatory requirements and practises transparency and openness. Statnett publishes both financial and non-financial information.

Transaction with related parties; independent value assessments

For major transactions between the enterprise and related parties or Group companies, Statnett performs value assessments presented by independent third parties in accordance with the national regulatory requirements.

Compliance with rules and regulations

Statnett is working systematically to ensure that the Group's operations are conducted in a responsible manner at all levels of the organisation. This is a prerequisite for meeting our objective of long-term value creation. We comply with applicable laws and regulations. Statnett follows the recommendations laid down by the Norwegian Corporate Governance Board (NUES).

Statnett management requirements

Statnett's management requirements express what the enterprise expects from its managers in the realisation of its main objectives and values. Statnett's management shall demonstrate commitment to the enterprise, to achieving excellence in its operations and to maintaining integrity and responsibility.

Ethics Ombudsman

As one of the first companies in Norway, Statnett appointed an ethics ombudsman in 2006. The ethics ombudsman is tasked with overseeing the Statnett culture, in order to prevent unwanted behaviour and unintended attitudes to develop. The work of the Ethics Ombudsmanship and its results are further described in the Corporate Social Responsibility chapter of this year's report.

STATNETT'S GROUP MANAGEMENT TEAM



3 AUKE LONT

President and CEO

Lont holds a Master of Economics from Vrije University in Amsterdam. He joined Statnett in February 2009 after having held the position of CEO with the consulting company Econ Pöyry. Lont was previously Senior Vice President of Nordic Energy in Statoil and CEO of Naturkraft. Auke Lont is a member of the Board of Directors of Gasunie in the Netherlands.

1 GUNNAR G. LØVÅS

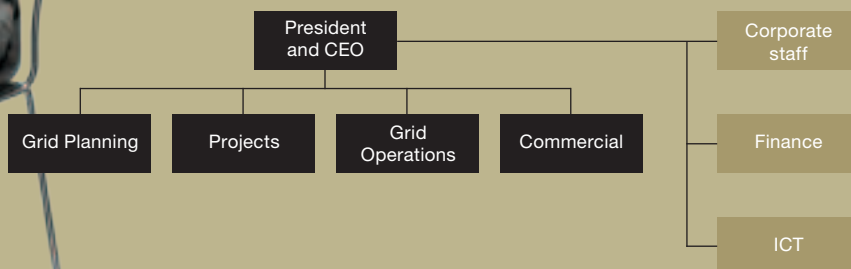
*Executive Vice
President Grid Planning Division*

Løvås has been with Statnett since 1994. His responsibilities include planning, development and operation of the power system in Statnett. Løvås has a PhD in mathematics from the University of Oslo and is a Graduate Engineer from the Norwegian University of Science and Technology. He is also the author of a university textbook in statistics.

2 ØIVIND KRISTIAN RUE

*Executive Vice
President Grid Operations Division*

Rue heads Statnett's Grid Operations Division, which is responsible for managing the operation of the Norwegian power system and joint operations with other Nordic countries. Rue holds a Master's Degree in Political Science from the University of Oslo. He has formerly held senior positions at the Norwegian Ministry of Trade and Industry and Saga Petroleum.



4 HÅKON BORGEN

*Executive Vice President
Projects Division*

Borgen is a Graduate Engineer in Electrical Power from the Norwegian University of Science and Technology (NTNU) and Technische Hochschule Darmstadt in Germany. He has studied project management at BI Norwegian School of Management and has previously held senior executive posts at Statnett and BBK. Borgen currently chairs the board of Statnett Transport and is a member of the board of the technology company SWAY and deputy board member of STRI AB.

5 BENTE HAGEM

*Executive Vice
President Commercial Division*

Hagem has a Master's Degree in Industrial Economy from the Norwegian University of Life Sciences (UMB). Before joining Statnett in 2001, Hagem held senior executive posts at Gilde Norsk Kjøtt AB and Statoil ASA. Bente Hagem is a member of the board of Nord Pool Spot, NSB and the Vice Chair of IFE (Institute for Energy Technology).

STATNETT'S BOARD OF DIRECTORS



5 BJARNE AAMODT
Chair, elected in 2008

Bjarne Aamodt heads the Other Business unit of Telenor ASA. He has been Deputy CEO of Det Norske Veritas and CEO of Alcatel STK ASA. He serves on a number of boards, both nationally and internationally, and is the Chair of the Supervisory Board of Nordea Bank Norge ASA. Aamodt is a Graduate engineer from the Norwegian University of Science and Technology (NTNU) and has been the Chair of Statnett SF since the spring of 2008.

2 THOR HÅKSTAD
Vice Chair, elected in 2004

Håkstad worked for Norsk Hydro for more than 30 years, where he held a number of senior executive posts and was a member of the Corporate Management Board for 10 years, until his retirement in 2004. Håkstad holds a Degree in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU). He has been a member of Statnett's Board of Directors since 2004.

9 HEIDI EKREM
Member of the Board of Directors, elected in 2006

Ekrem is a partner in the law firm Advokatfirmaet Mageli ANS where she is involved in corporate law issues for large companies, including companies in the energy sector. Ekrem was elected to the Statnett Board of Directors in 2006.

7 GRETHE HØILAND
Member of the Board of Directors, elected in 2002

Høiland is Managing Director of Lyse AS. She has broad experience from senior executive posts in the energy sector and has served on a number of boards. Høiland is a Graduate Engineer in Electrical Power Engineering from the Norwegian University of Science and Technology (NTNU) and has completed a Program in Business Administration at BI Norwegian School of Management. Høiland was elected to the Statnett Board of Directors in 2002.

8 STEINAR JØRÅNDSTAD
Employee representative, elected in 2004

Jøråndstad is an Energy Technician with Statnett and is leader of the Norwegian Electrician and IT Workers' Union (EL&IT) and a member of the Working Environment Committee. Jøråndstad, who began his career as an apprentice in 1981, has also served as main safety delegate in Statnett. Jøråndstad is also a Municipal Councillor in Vågå and a member of Vågå Municipal Executive Board. Jøråndstad has been an employee representative on the Board of Statnett since 2004.

1 BJØRN SOLBERG
Employee representative, elected in 2008

Solberg has been employed by Statkraft/the Norwegian Power Pool/Statnett since 1978. He is currently employed in Statnett's ICT Division in Trondheim as Team Leader and head of the ICT operational duty unit. He is also leader of NITO's Statnett union, where he has been a member of the Board since 1993. Solberg is an Electronics Engineer.



USER COUNCIL

The members of the User Council are nominated by the main users of Statnett's services

MEMBERS

FEDERATION OF NORWEGIAN INDUSTRIES

Stein Øvstebø (Chair)

ENERGY NORWAY

Øyvind Torkildsen (Vice Chair)
Bente Monica Haaland

THE CONSUMER COUNCIL OF NORWAY

Linette Heiberg

THE NORWEGIAN REGIONAL ENERGY ASSOCIATION

Hanne Torkelsen

HSH

Leif Olsen

DEPUTY MEMBERS

ENERGY NORWAY

Kari Thorud
Hans Olav Ween

FEDERATION OF NORWEGIAN INDUSTRIES

Heidi Gill Østfold

THE CONSUMER COUNCIL OF NORWAY

Olav Nyhus

THE NORWEGIAN REGIONAL ENERGY ASSOCIATION

Knut Lockert

HSH

Kirsten Haug

3 KIRSTEN FAUGSTAD

Employee representative, elected in 2004

Kirsten Faugstad has been employed by Statkraft/Statnett since 1989, and is currently the head of the Grid Development Division. Faugstad holds a Master of Science in Electrical Engineering from the Norwegian University of Science and Technology (NTNU). She has served as an employee representative on Statnett's Board of Directors since 2004.

6 KIRSTEN INDGJERD VÆRDAL

Member of the Board, elected in 2009

Værdal has been Director of Agriculture with the County Governor of Nord-Trøndelag. She has held several senior executive posts in the food and agriculture industry. Værdal has served on several boards in the private and public sector. She is an agronomist and also holds degrees in finance and corporate management.

4 PER HJORTH

Member of the Board of Directors, elected in 2008

Hjorth is Managing Director of Newsec AS, a commercial real estate brokerage and consultancy firm. Hjorth serves on a number of boards, and has held a number of senior executive posts in industry, finance and the energy sector. He was President and CEO of Nord Pool ASA until 2000. Hjorth has been a member of the Board of Directors since 2008.





DIRECTORS' REPORT FOR 2009

Statnett's main objective is to ensure a stable and secure supply of electricity and facilitate for a well-functioning power market.

Climate change and international calls for increased investments in renewable energy pose new challenges nationally as well as internationally. This represents new opportunities for value creation for Norway, but will also require significant development and enhancement of the electricity grid in the years to come.

Statnett will increase its grid investments in the years to come to maintain security of supply and facilitate for value creation and for lower emissions of greenhouse gases. Statnett's activities will be dominated by the company's major investments projects, both planned and ongoing.



QUALITY AND SECURITY OF SUPPLY

In general, the quality of supply in the grid was good in 2009. However, the hydrological resource situation and faults on the 420 kV interconnectors over the Oslofjord did cause some congestion, particularly out of South Norway. To maintain system operations during certain periods from December 2008 to April 2009, Statnett found it necessary to limit exports to Denmark and the Netherlands.

Low precipitation levels from October onwards and the prolonged cold period from mid-December resulted in higher consumption and lower inflow to the reservoirs than normal towards the end of 2009. At year-end, reservoir levels were 64.5 percent. This is 0.6 percentage points lower than at the same time in 2008, and 4 percentage points below the median for the period 1993-2008. Central Norway (NO2) had the lowest level compared to the median.

The overall power consumption in 2009 was approximately 124 TWh, down 3.6 per cent compared with the previous year. The overall energy production fell by 6.6 per cent to approximately 133 TWh, resulting in a net export of 9 TWh.

In March and April 2008, faults occurred on two of the three interconnectors over the Oslofjord. One of the faulty interconnections was repaired and put back into operation towards the end of 2008. Extensive and difficult repairs were necessary on the other faulty interconnector, between Teigen in Vestfold and Evje in Østfold, until autumn of 2009. The cable was put back into operation again on 16 October 2009, though with reduced capacity.

The interconnector between Norway and the Netherlands, the NorNed cable, was put back into operation again on 15 May

2009 after being out of operation since 11 April 2009. A fire in the Netherlands caused a fault on the AC interconnector between NorNed and the Dutch power grid. A new fault occurred on the subsea cable on Friday 29 January 2010, resulting in the cable being taken out of operation for a significant period of time.

During the winter 2009/2010 Norway was divided into five market areas for trading on the Nordic power exchange. In April 2009, Norway was divided into three market areas through the division of the northernmost price area into two market areas; Central Norway and North Norway. In January 2010 a fourth market area was established by dividing the southern area into two, whereas in March 2010, a fifth market area was established for Western Norway.

This is a reflection of the fact that the 2009/2010 winter was more challenging than usual – with low inflow to the reservoirs, a long period of consistently low temperatures resulting in high electricity consumption, combined with reduced nuclear power production in Sweden and low water levels in local reservoirs. The extreme winter of 2009/2010 shows that there is a pressing need to increase transmission capacity to Central Norway.

Statnett has two main options when dealing with the grid challenges: Firstly, communicating our assessment of the situation to the Norwegian authorities and society at large in a clear and appropriate manner. Secondly, focussing on active grid development to ensure early implementation of projects that can help improve the transmission capacity when this is to the benefit of Norwegian society at large. Statnett's ambition is that grid developments should take place in close cooperation with regional and local authorities and companies in the energy sector. This is important in order to find solutions which take into account local

and region values and Norwegian society's need for an infrastructure which ensures security of supply, as well as a capacity for value creation and renewable energy.

INVESTMENTS

The largest investment project to be completed in 2009 was the construction of a new 420 kV power line between Skåreheia and Hølen in the valley of Setesdal. The power line, which is 103 kilometres long, reinforces the electricity grid in South Norway and paves the way for connecting local renewable energy. In October 2009, a new 420 kV power line from Nea in Sør-Trøndelag county to the Swedish border was put into operation, together with a partly new and partly existing line on the Swedish side of the border to Järpströmmen. The project is important for Central Norway as it will improve security of supply in the event of a shortfall which would result in a need for increased imports. Several projects to upgrade the voltage were also launched in 2009.

Major investment projects in progress

Sauda – Liastølen

Statnett has decided to construct a new 420 kV power line through the municipalities of Sauda and Suldal. The line will improve security of supply and facilitate upgrading of neighbouring grids.

Varangerbotn – Skogfoss

Statnett has started the construction of a new power line between Varangerbotn and Skogfoss. The new line will secure the electricity supply to East Finnmark.

Major investment in transformer stations

Statnett is currently carrying out voltage upgrades and necessary reinvestments in Hasle transformer station in Østfold



county. These measures will improve security of supply and capacity relative to consumption in the region, and facilitate an increase in transmission capacity and better security of supply between Norway and Sweden. Both at Hasle and a number of other places in South Norway, capacitor banks and reactors will be installed to regulate the voltage within defined limits. At Flesaker transformer station in Buskerud county, Statnett is investing in transformer capacity to improve security of supply in the underlying grid and to increase transmission capacity.

Increased preparedness

Statnett has decided to purchase six

extra reserve transformers in order to reduce vulnerability in the electricity system. A contingency cable has been acquired for the Drøbak connection. A decision has also been made to invest in a new contingency cable for the Oslofjord link at Bastøy to strengthen security of supply in East Norway and to ensure sufficient capacity in the transmission grid.

Projects for which licence applications are pending or licences appealed

Sima – Samnanger

In May 2006, Statnett applied for a licence to build a new 420 kV power line and related facilities between the Sima

hydropower plant and Samnanger transformer station in Hordaland county. The power line will run via Ulvik, Granvin and Kvam and provide better security of supply in West Norway in the area around Boknafjord and Sognefjord. The NVE granted the licence in May 2008. The decision to grant the licence has been appealed to the Ministry of Petroleum and Energy.

Ørskog – Fardal

In February 2007, Statnett applied for a licence to build a new 420 kV power line between Ørskog municipality in Sunnmøre and Fardal in Sogn. There is a pressing need for the new line, owing to a growing electricity shortfall in Central

SUMMARY OF MAJOR INVESTMENT PROJECTS

PROJECT	LOCATION	TYPE	LENGTH	COST	COMPLETION
Major investment projects completed				Cost	Completed
Skåreheia – Holen	Setesdal	420 kV	103 km	NOK 940 mill.	August 2009
Nea – Järpstrømmen	Trøndelag	420 kV	25 km	NOK 350 mill.	October 2009
Major investment projects in progress				Funds granted	Completion
Sauda – Liastølen	Rogaland	420 kV	29 km	NOK 190 mill.	2011
Varangerbotn – Skogfoss	Finnmark	132 kV	130 km	NOK 410 mill.	2013
Major investment in transformer stations	South Norway	-	-	NOK 1 300 mill.	2009-2011
Increased preparedness: New back-up transformers and a new contingency cable over the Oslofjord	South Norway	-	-	NOK 300 mill.	-
Licence application pending or licence appealed				Estimated cost	Scheduled completion
Sima – Samnanger	Hordaland	420 kV	90 km	NOK 900 mill.	2012/13
Ørskog – Fardal	Sunnmøre/Sogn	420 kV	280 km	NOK 2 800 mill.	2013/14
Namsos – Roan – Storheia	Trøndelag	420 kV	119 km	NOK 850 mill.	2013
Balsfjord – Hammerfest	Troms/Finnmark	420 kV	360 km	NOK 3 000 mill.	2016
Skagerrak 4	Norway/Denmark	420 kV	subsea cable 130 km	Statnett share NOK 1 500 mill.	2014
Kristiansand – Bamble	Agder – Telemark	420 kV	148 km	NOK 430 mill.	2014
Oslofjord (Teigen – Evje)	Oslofjord	420 kV	subsea cable 13 km	NOK 900 mill.	2012
Planning proposal submitted				Estimated cost	Scheduled completion
Ofoten – Balsfjord	North Norway	420 kV	160 km	NOK 1 000 mill.	2014
Storheia – Snillfjord – Trollheim/Orkdal	Sør-Trøndelag/Møre og Romsdal	420 kV	165 km + subsea cable 8 km	NOK 1 350 mill.	2016/17
Bamble – Rød	Porsgrunn	420 kV	33-37 km	NOK 350 – 700 mill.	2014

STATNETT WILL INCREASE ITS GRID INVESTMENTS IN THE YEARS TO COME TO MAINTAIN SECURITY OF SUPPLY AND FACILITATE FOR VALUE CREATION AND FOR LOWER EMISSIONS OF GREENHOUSE GASES

Norway and plans for new power generation in the county of Sogn og Fjordane. The new line is expected to help improve security of supply to industry and households in Møre og Romsdal and Sogn og Fjordane counties, while at the same time facilitating the development of planned wind power and small-scale hydropower plants in Sogn og Fjordane. The NVE granted the licence in June 2009. The decision to grant the licence has been appealed to the Ministry of Petroleum and Energy.

Namsos – Roan

In November 2007, Statnett applied for a licence to build a new 420 kV line between Namsos and Roan in Trøndelag. In May 2009, Statnett applied for a licence to extend the power line south to Storheia in Fosen. The current grid on the Fosen peninsula is too weak to handle the power from the planned wind farms.

Balsfjord – Hammerfest

In May 2009, Statnett applied for a licence to build a new 420 kV power line between Balsfjord in Troms county and Hammerfest in Finnmark county. A new power line between Balsfjord and Hammerfest will boost grid capacity and improve security of supply in North Norway. The line is necessary to meet the increase in consumption due to petroleum activities in the Hammerfest region (Snøhvit and Goliat). At the same time, the line will help facilitate development of more wind power in the region.

Skagerrak 4 (New cable between Norway and Denmark)

In November 2009, Statnett submitted an application to the NVE for a licence to build a new subsea cable to Denmark, with a capacity of 700 MW. An investment decision is expected in late 2010/early 2011, depending on the licensing process.

Oslofjord (Teigen – Evje)

In December 2009, Statnett submitted a licence application to the NVE for a new subsea cable over the Oslofjord, from Teigen to Evje on the 420 kV line Rød – Hasle.

Kristiansand – Bamble

Statnett is planning to upgrade the existing 300kV line to 420 kV on the Kristiansand – Arendal – Bamble stretch. Statnett submitted a licence application for a voltage upgrade to the NVE in February 2010.

Projects for which planning proposals have been submitted

Ofoten – Balsfjord

Statnett submitted planning proposals in December 2008 for a new 420 kV power line between Ofoten and Balsfjord. The power line will be about 160 km long and involve the expansion of two or three existing transformer stations. Statnett is planning to submit a licence application during the first half of 2010.

Storheia – Snillfjord – Trollheim/Orkdal

Statnett has submitted planning proposals for a new 420 kV power line between Roan in Sør-Trøndelag and Surnadal in Møre og Romsdal. The line will be 165 km long with the addition of an 8 km subsea cable crossing the Trondheimfjord, as well as three new transformer stations and the expansion of two existing ones. Statnett has applied for a licence for the Roan-Storheia stretch and is planning to submit an application for a licence for the rest of the connection during the first six months of 2010.

Bamble – Rød

In December 2009, Statnett submitted planning proposals to the NVE for a new 420 kV power line from Bamble to Rød, in the western part of the Porsgrunn area. This is part of Statnett's strategy to upgrade the voltage in the South Norway grid.

FINANCIAL RESULTS

The annual financial statements for Statnett SF (parent company) and the Statnett Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) and interpretations established by the International Accounting Standards Board (IASB) which have been approved by the EU.

Operating revenues

The Statnett Group recorded operating revenues for 2009 totalling NOK 2 862 million (NOK 4 256 million in 2008). The reduction from 2008 is due to a reduction in operating revenues from regulated operations (fixed components for consumption tariffs), as well as a reduction in congestion revenues.

In 2008, Statnett's actual operating revenues from regulated operations were higher than the permitted revenue. This resulted in a higher revenue of NOK 721 million. Higher revenue occurs when Statnett's actual revenues are higher than the cap set by the NVE. The higher revenue in 2008 resulted in a tariff reduction from 2008 to 2009, which meant a reduction in Statnett's actual operating revenues in 2009.

The permitted revenue for 2009 was NOK 367 million higher than in 2008. The higher cap, combined with a reduction in actual operating revenues from regulated operations, resulted in a lower revenue of NOK 1 033 million in 2009.

Other operating revenues were NOK 7 million less in 2009 than in 2008.

Operating costs

Statnett SF recorded operating costs for 2009 totalling NOK 3 253 million (NOK 3 049 million).

Operating costs for the Group totalled NOK 3 265 million, which is up NOK 203



million on the year before. The Group's costs relating to system services increased by NOK 93 million, and wage costs rose by NOK 71 million, other operating costs increased by NOK 47 million, and depreciation and write-downs increased by NOK 134 million. However, transmission loss costs were NOK 142 million lower than in 2008.

Included in other operating costs is a provision of NOK 63 million related to faults and lack of available nominal capacity of the NorNed-cable. The provision covers the contractual obligations related to this, although Statnett's liabilities have not yet been clarified.

Results

Statnett SF's operating result for 2009 was a loss of NOK 435 million (NOK 1 199 million profit). For the Statnett Group as a whole, the operating result for 2009 was a loss of 403 million (NOK 1 194 million profit). The operating loss was due to a reduction in revenues.

Revenues from joint ventures and associates totalled NOK 24 million in 2009 (NOK 962 million). The reduction was largely due to the sale of major parts of Nord Pool ASA's operations in 2008.

Net financial costs for the Group for 2009 totalled NOK 407 million (NOK 546 million). The reduction is largely owing to lower interest rates.

Statnett SF recorded a net profit for the year totalled NOK 574 million (NOK 630 million). The Group's loss for the year totalled NOK 480 million (NOK 1 517 million profit). In February 2008, a significant share of Nord Pool ASA's operations were divided and sold to the Nasdaq OMX Group. The sale was reflected in the Group's annual profit for 2008, and has been included in Statnett SF's profit for the year with a dividend of NOK 1 129 million.

Investments

Statnett SF invested a total of NOK 1 257 million (NOK 2 620 million). The main reason for the reduction in investments was the completion of major investments in 2008, such as the NorNed cable and the reserve power generation plants.

Cash flow and balance sheet

The Group's operating activities generated a negative cash flow of NOK 466 million. The net cash flow from investment activities totalled NOK 140 million.

Loan payments totalling NOK 1 251 million were made, and new loans totalling NOK 2 202 were raised. At year-end interest-bearing debt totalled NOK 12 340 million. The market value of interest swap and currency swap agreements related to interest-bearing debt (fair value hedges) was NOK 556 million. Net interest-bearing debt, corrected for this, totalled NOK 11 784 million.

At 31 December 2009, the Group's liquid assets and securities totalled NOK 896 million, which is NOK 99 million down on the previous year. At the end of the year, the Group's total assets were NOK 19 342 million (NOK 20 919 million).

At year-end, the Group's equity totalled NOK 5 618 million (NOK 6 585 million). The Group's equity share at 31 December 2009 was 29.0 per cent, compared with 31.5 per cent the year before. The parent company's non-restricted equity is NOK 2 647 million.

Transport operations and preparedness

Statnett SF has a statutory duty to provide transport preparedness for the Norwegian power supply. Statnett's wholly owned subsidiary Statnett Transport AS is required to ensure efficient and competitive implementation of this duty.

Operating revenues for the Statnett Transport Group for 2009 were NOK 97 million (NOK 77 million). The Group recorded a profit after tax of NOK 9 million for 2009 (NOK 1 million loss).

The Nordic power exchange, Nord Pool

Statnett SF has an ownership interest of 50 per cent in Nord Pool ASA and 30 per cent in Nord Pool Spot AS.

In 2009, Nord Pool ASA and Nord Pool Spot collectively contributed a total of NOK 24 million to Statnett's result (NOK 962 million).

In 2010, Statnett and Svenska Kraftnät (the Swedish grid operator) decided to sell their shares in Nord Pool ASA to Nasdaq OMX for NOK 80 million. In 2008, the two system operators sold Nord Pool's clearing and consultancy operations, and its operations connected to international derivative products, to the Nasdaq OMX Group. At the same time, the system operators received an option to sell the shares in Nord Pool ASA at a later date. This option has now been exercised. The transaction is scheduled to be completed in 2010, but is conditional upon the approval of the Norwegian Ministry of Finance. The purchase does not include the physical Nordic power market operated by Nord Pool Spot AS.

RISKS

Operational risk

Statnett continually evaluates risks relating to security of supply and grid operations. The quality of supply and system operations depends on stability and accessibility in the grid. The grid is vulnerable to damage and breakdowns caused by external factors.

Statnett makes use of several levels of operational reliability in the power system and the risk of system parts breakdowns. The enterprise will factor in breakdowns of facilities such as power lines, cables,



transformers, generators and collector rails. The operational reliability for Hordaland and Troms/Finnmark is poor at peak-load periods. Central Norway is expected to have good operational reliability at peak loads. In this area, however, there is a substantial risk of shortage of energy. In order to reduce these risks, Statnett has initiated the grid development projects Sima – Samnanger and Ørskog – Fardal. These projects will help increase capacity in the grid and improve security of supply.

The power situation in the winter 2009/2010 has been unusual due to a 45 per cent reduction in capacity on the Rød-Hasle subsea cable across the Oslofjord, a weaker output situation in Sweden due to problems at the nuclear facilities and unusually high consumption in East Norway. A breakdown in Kvilldal (the SF6 plant), on the Kvilldal-Rjukan line, or Rjukan-Sylling line, or on one of the 420 kV lines in the Hallingdal section, would have resulted in a strained power situation in East Norway. Without supply of power/import from Sweden, it may, in such situations, become necessary to urge consumers in East Norway to reduce their consumption in order to control security of supply until the transmission grid was intact again.

Statnett’s target is to ensure that no end-user is without electricity for more than two hours at a time owing to a fault in Statnett’s transmission facilities. This target was achieved in 2009. In 2009, Cost of Energy Not Supplied (CENS) for connected end users (under the KILE scheme) totalled NOK 19 million (NOK 68 million). Statnett’s total CENS are calculated by totalling all CENS in a year.

Regulatory risk

Statnett’s activities are subject to com-

prehensive regulatory requirements. Statnett must comply with the regulatory requirements for the sector and the various licence terms and conditions, both for its operations and its development projects. Changes in the regulatory framework will affect Statnett’s results. Statnett is dependent on a stable regulatory framework.

Project risk

Statnett has major investment plans and many projects, and carries out a comprehensive assessment of all risks associated with the investments. The Board is presented with risk assessments relating to all major investments. Statnett has implemented a uniform project management model focussing on risk follow-up.

Financial risk

Statnett has established a financial policy and framework for financial management, including limits for credit risk, settlement risk and counterparty risk. Control procedures have been established which are carried out independently.

As a result of Statnett’s financial policy, which includes a spread maturity structure on existing loans, the enterprise has not been significantly affected by the financial crisis. It is also Statnett’s policy to be able to fund 12 months’ operations, investment and refinancing without incurring any new debt. The enterprise has a credit facility totalling NOK 2.0 billion, which runs until 2012 and is part of Statnett’s policy for obtaining the necessary financial flexibility to carry out its investment programme over the next few years. The credit facility was unused at year-end 2009.

Currency risk is minimised through several measures, including using currency swap agreements to hedge the risk in the

currency obligations in investment projects. All Statnett’s loans in foreign currency are converted into NOK through currency swap agreements.

Statnett is exposed to credit risk when investing surplus liquidity with issuers of securities. Statnett has set credit ratings that must be met by counterparties and sets maximum exposure for each individual investment.

A large proportion of the revenues from grid operations is calculated as return on the enterprise’s grid capital. The calculation of the return on grid capital is based on the interest rate on five-year Norwegian government bonds and, as a result, Statnett’s revenues are affected by changes in interest rate levels. To reduce the enterprise’s total interest rate risk, Statnett therefore seeks to achieve as good a match as possible between movements in interest rates on loans and the interest rate used to calculate return on the enterprise’s grid capital.

Statnett has a reasonably high credit rating, with long-term borrowing ratings of A+ and A2 from Standard & Poor’s and Moody’s Investor Service respectively.

RESEARCH, DEVELOPMENT AND EXPERTISE

Statnett invests in research and development (R&D) to promote value creation, innovation and environmentally sound solutions. In 2009, Statnett initiated four new R&D programmes: Northern European Market for Balancing Power, Nodes in Offshore Power Grids – Establishment and Operations, Risk Handling in Operational Planning and Daily Operations, and Environmental Adaptation of Power Lines.



In addition to its own R&D activities, Statnett cooperates closely with external expertise environments both in Norway and in other countries. Statnett is also involved in the energy programme Energi21, the development of Entso-E's R&D plan, and in several EU programmes. The strategic cooperation with universities and university colleges was significantly strengthened in 2009.

HEALTH, SAFETY AND ENVIRONMENT

Statnett has a zero tolerance policy with regard to accidents and injuries. In addition, the enterprise aims to prevent any damage to property and other material assets, and minimise the environmental impact. All Statnett units must comply with Statnett's HSE policy and associated procedures in accordance with HSE legislation and associated statutory requirements.

The sickness absence rate in Statnett SF was 4.3 per cent in 2009, compared with 3.7 per cent in 2008. The overall sickness absence rate in the Group was 4.2 per cent.

The lost-time injury frequency rate ("H value") for 2009 was 3.1 per cent. In addition, Statnett's subcontractors had four minor lost-time injuries. There were no fatalities.

Statnett maintains a constant focus on health, environment and safety (HSE) issues, as well as measures to reduce risk and prevent injuries and accidents. HSE plans are drawn up for every project, and "Safe Job Analysis" procedures have been introduced for all risk-exposed work operations. Annual safety courses and first-aid courses are held for all personnel engaged in work on high-voltage facilities, and training is provided for safety representatives, HSE personnel and others in accordance with regulations. Statnett has entered into agreements with various company health

services, which cover all members of staff throughout the Group.

Statnett is working systematically on internal HSE control to measure, control and achieve continuous improvements.

ENVIRONMENT

Statnett has established an environmental strategy intended to ensure that the enterprise has a consistent regard for environmental concerns. The objective is for climate change and other environmental concerns to be clearly taken into account in all decisions made by Statnett. Statnett's environmental strategy focuses on minimising the environmental impact of our operations and facilitating for an environmentally sound power system.

The environmental aspect is particularly important when building new power lines, but also to reduce the environmental impact of all our activities. As part of our environment policy, we always consider the possibility of demolishing old power lines and avoid constructing new regional lines whenever we can. The 420 kV power line between Ofoten and Balsfjord, for which planning proposals have been submitted, is one line where it is possible to demolish regional lines.

Both Statnett's head offices and the regional office in Alta have been certified as "Environmental Lighthouses". Statnett is also certified in accordance with ISO 14001:2004 Environmental Management Systems.

EMPLOYEES AND ORGANISATION

Employees

Statnett is planning for growth. This means that the enterprise needs to attract, retain and develop its core expertise. Statnett is continually seeking to increase the diversity of our staff with regard to gender, age and ethnic back-

ground. The enterprise has a zero tolerance policy for discrimination and harassment in the workplace.

Statnett will need to recruit many new employees in the years ahead due to the increase in the activity level and the high number of employees who are about to retire. Statnett has an expansive recruitment strategy aimed at obtaining and retaining the right and sufficient expertise. Statnett has also established a senior employee policy which contains measures to retain key personnel.

At the turn of the year 2009/2010, Statnett had 793 full and part-time employees in Statnett SF, compared with 690 the year before. The number of full-time equivalents was 774 compared with 672 in 2008. The increase in staff is mainly owing to an increasing number of tasks in connection with planning and implementation of investment projects and increased preparedness.

In 2009, Statnett participated in the working environment survey undertaken by the Great Place to Work Institute, and was ranked among the ten best companies to work for in Norway.

Gender equality

Four of the nine members of Statnett's Board of Directors (45 per cent) are women. One of the five members of the Group management is female (20 per cent).

The number of female employees has increased during the last three years and constituted 23 per cent at year-end. The percentage of women in the energy industry in general is 18. A higher percentage of women corresponds with our objectives and ambitions and Statnett will continue to focus on recruiting more women.

Women filled 25 per cent of all managerial positions. Most female managers are

INVESTMENTS ARE EXPECTED TO INCREASE GRADUALLY IN THE YEARS AHEAD. THE TOTAL SCOPE OF INVESTMENTS FOR THE PERIOD 2010 TO 2020 WILL BE IN THE REGION OF NOK 40 BILLION

employed in finance and administrative positions, but there are also many women in technical positions. Statnett aims to increase the number of women in technical and managerial positions.

Employment conditions for women and men are continually monitored using a variety of methods, including salary reviews and staff surveys. Women and men with approximately the same educational background and experience and employed in comparable positions receive equal pay. Women worked on average 94 per cent of full-time posts, while the figure for men was 99.

CORPORATE SOCIAL RESPONSIBILITY

Statnett has adopted the internal ethical guidelines "The Statnett Way" and ethical guidelines for our contractors. These policies are central to how we exercise our corporate social responsibility and fulfil the "cross-cutting considerations" (adaptation, R&D, environment, HSE, ethics, anti-corruption measures, gender equality, integration and societal safety).

Ethical guidelines – the Statnett way

Statnett has established ethical guidelines for all its employees and for any other party who acts on behalf of the enterprise. The ethical guidelines describe Statnett's relationship with the world around it, its way of working and its working environment. The guidelines contribute to Statnett's neutrality, credibility, integrity and compliance with laws and regulations. The guidelines also emphasise the promotion of equality and diversity.

The Ethics Ombudsman in Statnett is a notification channel which deals with potential breaches of the ethical guidelines. The Ethics Ombudsman is in direct contact with the Chair of the Board and reports annually to the Board of Directors.

Ethical guidelines for contractors

The Board of Directors has adopted ethical guidelines for our contractors to prevent corruption. The guidelines stipulate that contractors and subcontractors must be familiar with and comply with national laws and regulations, as well as international conventions relating to social conditions, working conditions and working environment legislation. Statnett has the right to inspect the enterprise and to inspect and verify the enterprise's internal controls and HSE procedures.

CORPORATE GOVERNANCE

Statnett's corporate governance principles clarify the distribution of roles between the owner, the Board of Directors and the general management. Statnett adheres to the Norwegian State's Principles for Good Corporate Governance and to recommendations from the Norwegian Corporate Governance Board (NUES). Corporate governance in Statnett comprises openness and transparency vis-à-vis our owners, the Board of Directors and the Group management, as well as other stakeholders such as employees, customers, suppliers, creditors, public authorities and the general public.

Executive pay is set in accordance with the Norwegian State guidelines. The Statnett SF management has no incentive pay scheme. The Board of Directors has appointed a remuneration committee to stipulate and oversee main principles and framework for remuneration of the Statnett Group management.

To maintain the necessary control function, an audit committee and an internal auditor function have been established.

Statnett has developed the management and function policies further as a central

element of Statnett's corporate governance management. As part of this work, the Board of Directors has adopted the management policies: value base, governance, management and control, internal ethical guidelines, and ethical guidelines for contractors. These will be implemented in the enterprise and are important to further develop a positive, responsible and sound corporate culture, and for the compliance with the Norwegian State's owner principles and the cross-cutting considerations (cf. Report to the Storting, No 13 (2006-2007)).

For further details on corporate governance see page 27.

Changes in the Board of Directors

Christine B. Meyer resigned from the Board of Directors in 2009. Kirsten Indgjerd Værdal was elected as a new Board member.

OUTLOOK

Statnett's objective is to ensure a stable and secure supply of electricity and facilitate a well-functioning power market. To secure a stable security of supply for the future, Statnett will make significant grid investments in the years to come. Investments are expected to increase gradually in the years ahead. The total scope of investments for the period 2010 to 2020 will be in the region of NOK 40 billion. Statnett's future activities will be dominated by an increase in project activities.

Seen in isolation, changes to the revenue regulations will contribute to greater overall stability in Statnett's profit performance. In December 2008, the NVE adopted changes to the revenue regulations which mean that it will take less time than before between investments being put into operation and the corresponding increase in the revenue cap. While the revenue cap previously had



a two-year time-lag, it will now increase in the same year in which investments come into operation.

The higher/lower revenue at year-end is calculated into future tariffs. The lower revenue of NOK 607 million at year-end has been taken into consideration for the 2010 tariffs. This will have a positive effect on the Group's profit performance in 2010.

In accordance with Section 3-3.a of the Norwegian Accounting Act, the Board confirms that the conditions exist for

continued operation of the enterprise on a going concern basis.

Allocation of profit

Allocation of profit pursuant to the deliberations on Parliamentary Bill no. 1 (2006-2007), the established long-term dividend policy of 50 per cent of the Group's net profit after tax was extended up until 2010 inclusive. In the deliberations on Parliamentary Bill no. 1 (2007-2008), the basis for the 2007 dividend was changed to that of the Group's net profit after tax adjusted for changes in higher/lower revenue after tax.

The Board therefore recommends on the basis of the above that the net profit from Statnett SF be allocated as follows:

Amounts in NOK million:

Dividend to owner	132
Transfer to other reserves	448
Total	580

Declaration from the Board of Directors and the President and CEO

We confirm that the financial statements for the period 1 January to 31 December 2009 have, to the best of our belief, been prepared in compliance with IFRS and that the disclosures in the financial statements give a true and fair picture of the parent enterprise's and the Group's assets, liabilities, financial position and results as a whole, and that the disclosures in the Directors' report give a true and fair overview of the performance, results and position of the parent enterprise and the Group, together with a description of the most significant risk and uncertainty factors faced by the enterprises.

Oslo, 25 March 2010

The Board of Directors of Statnett SF

Bjarne Aamodt
Chair of the Board

Thor Håkstad
Vice Chair of the Board

Per Hjorth

Kirsten Indgjerd Værdal

Grethe Høiland

Heidi Ekrem

Bjørn Solberg

Steinar Jøråndstad

Kirsten Faugstad

Auke Lont
President and CEO

FINANCIAL REPORTING





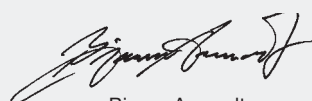
STATEMENT OF COMPREHENSIVE INCOME


PARENT COMPANY				GROUP	
2008	2009	(Amounts in NOK million)	Note	2009	2008
OPERATING REVENUE					
4 076	2 689	Operating revenue regulated operations	2	2 689	4 076
172	129	Other operating revenue	2	173	180
4 248	2 818	Total operating revenue		2 862	4 256
OPERATING COSTS					
376	470	System services	3	469	376
850	708	Transmission losses		708	850
483	545	Wage costs	4, 5, 6	576	505
524	653	Deprec. & write-downs tang. fixed assets	7,8	662	528
816	877	Other operating costs	9	850	803
3 049	3 253	Total operating costs		3 265	3 062
1 199	-435	Operating profit/loss		-403	1 194
-	-	Income from joint ventures and associates	12	24	962
169	1 210	Financial income	10	118	132
511	400	Financial costs	10	407	546
857	375	Profit/loss before tax		-668	1 742
227	-199	Tax	11	-188	225
630	574	Profit/loss for the year		-480	1 517
OTHER COMPREHENSIVE INCOME					
1	-	Changes in fair value, held-for sale investments		-	-206
-39	8	Changes in fair value for cash flow hedges		8	-38
11	-2	Tax related to other comprehensive income		-2	68
-27	6	Other comprehensive income		6	-176
603	580	Total comprehensive income		-474	1 341
Disclosure of dispositions					
499	132	Proposed dividends			

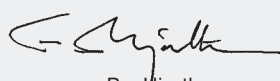
BALANCE SHEET

PARENT COMPANY				GROUP	
31.12.2008	31.12.2009	(Amounts in NOK million)	Note	31.12.2009	31.12.2008
ASSETS					
FIXED ASSETS					
-	18	Deferred tax assets	11	-	-
14 635	15 642	Tangible fixed assets	7	15 870	14 850
1 554	1 160	Plant under construction	8	1 159	1 554
109	109	Investment in subsidiaries	12	-	-
138	138	Investment in joint ventures and associates	12	206	1 311
1 776	776	Financial fixed assets	10	623	1 634
18 212	17 843	Total fixed assets		17 858	19 349
CURRENT ASSETS					
608	602	Trade accounts and other short-term receivables	10, 13	588	575
225	307	Investment in market-based securities	10	554	439
512	276	Liquid assets	10	342	556
1 345	1 185	Total current assets		1 484	1 570
19 557	19 028	Total assets		19 342	20 919
EQUITY AND LIABILITIES					
EQUITY					
2 700	2 700	Contributed capital		2 700	2 700
2 566	2 647	Other equity		2 918	3 885
5 266	5 347	Total equity		5 618	6 585
LONG-TERM LIABILITIES					
173	-	Deferred tax	11	31	212
342	369	Pension liabilities	6	369	342
-	-	Other liabilities		7	-
11 690	10 644	Long-term interest-bearing debt	10, 15	10 644	11 690
12 205	11 013	Total long-term liabilities		11 051	12 244
CURRENT LIABILITIES					
650	1 696	Short-term interest-bearing debt	10	1 696	650
1 436	972	Trade acc. payable & other short-term debt	10	977	1 438
-	-	Tax payable	11	-	2
2 086	2 668	Total current liabilities		2 673	2 090
19 557	19 028	Total equity and liabilities		19 342	20 919

Oslo, 25 March 2010
The Board of Directors


Bjarne Aamodt
Chair of the Board


Thor Håkstad
Vice Chair of the Board


Per Mjorth


Kirsten Indgjerd Værdal


Grethe Høiland


Heidi Ekrem


Bjørn Solberg


Steinar Jøråndstad


Kirsten Faugstad


Auke Lont
President and CEO

STATEMENT OF CHANGES IN EQUITY



PARENT COMPANY					GROUP			
Contributed capital	Funds	Other equity	Total	(Amounts in NOK million)	Total	Other equity	Funds	Contributed capital
2 700	24	2 257	4 981	01.01.2008	5 562	2 689	173	2 700
-	-	630	630	Profit for the year	1 517	1 517	-	-
-	-27	-	-27	Other comprehensive income	-176	-	-176	-
-	-	-318	-318	Dividends paid	-318	-318	-	-
2 700	-3	2 569	5 266	31.12.2008	6 585	3 888	-3	2 700
2 700	-3	2 569	5 266	01.01.2009	6 585	3 888	-3	2 700
-	-	574	574	Profit/loss for the year	-480	-480	-	-
-	6	-	6	Other comprehensive income	6	-	6	-
-	-	-	-	Changes from previous year*	6	6	-	-
-	-	-499	-499	Dividends paid	-499	-499	-	-
2 700	3	2 644	5 347	31.12.2009	5 618	2 915	3	2 700

* Changes from previous years are in connection with deviations between reported amounts and final accounts for subsidiaries in 2008

CASH FLOW STATEMENT

PARENT COMPANY			GROUP	
2008	2009	(Amounts in NOK million)	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
857	375	Profit/loss before tax	-668	1 742
-3	-3	Loss(+)/gain(-) on sale of fixed assets	-3	-3
524	653	Ordinary depreciation and write-downs	662	528
531	379	Interest for the period recognised in income statement	370	541
55	37	Interest received for the period	35	56
-549	-476	Interest paid for the period	-470	-556
358	-517	Changes in trade accounts receivable/payable	-525	398
-287	-938	Change in other accruals	133	-227
-	-	Result from companies consolidated using equity method	-	-950
1 486	-490	Net cash flow from operating activities	-466	1 529
CASH FLOW FROM INVESTING ACTIVITIES				
94	9	Proceeds from sale of tangible fixed assets	9	94
-2 620	-1 257	Purchase of tangible fixed assets and plant under construction	-1 278	-2 773
-142	-11	Change in long-term loan receivables	-	-
-	6	Change in short-term loan receivables	-	-
13	1 129	Dividend received	1 129	9
-2 655	-124	Net cash flow from investing activities	-140	-2 670
CASH FLOW FROM FINANCING ACTIVITIES				
4 257	2 202	Proceeds from new interest-bearing borrowings	2 202	4 256
-2 806	-1 251	Repayment of interest-bearing debt	-1 251	-2 806
132	150	Proceeds from sale of market-based securities	293	204
-24	-224	Purchase of market-based securities	-357	-115
-318	-499	Dividends paid	-499	-318
1 241	378	Net cash flow from financing activities	388	1 221
72	-236	Net cash flow for the period	-218	80
440	512	Cash and cash equivalents at the start of the period	556	476
512	276	Cash and cash equivalents at the close of the period	342	556

Restricted tax deductions payable amounting to NOK 38 million for the parent company and NOK 41 million for the Group are included in cash and cash equivalents as of 31 December 2009.

Unused credit facilities of NOK 2 000 million are not included in cash and cash equivalents above.



NOTE 1 – IFRS ACCOUNTING PRINCIPLES APPLICABLE FOR 2009

GENERAL

Statnett SF (the parent company) is a Norwegian state-owned enterprise that was formed on 20 December 1991. The sole owner of the enterprise is the Norwegian State through the agency of the Royal Ministry of Petroleum and Energy (OED). Statnett issues bond loans listed on the Oslo Stock Exchange. Statnett's registered head office is at Husebybakken 28B, 0379 Oslo.

BASIS FOR PREPARATION OF THE FINANCIAL STATEMENT

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

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

The financial statements have been prepared on the basis of the historical cost principle, with the following exceptions:

- All derivatives, and all financial assets and liabilities as "fair value carried through profit or loss" or "available for sale", are carried at fair value
- The book value of assets and liabilities that are hedged is adjusted in order to register changes in fair value as a result of the hedge.
- Assets are measured at each reporting date with a view to impairment. If the recoverable amount of the asset is less than the book value, the asset is written down to the recoverable amount.

NEW ACCOUNTING STANDARDS

There are a number of new standards, and interpretations of and amendments to existing standards, which had not come into effect at 31 December 2009 and which the Statnett Group has not yet implemented.

The following standards have been approved and adopted by the EU, but are not mandatory for the 2009 financial statement.

- IFRS 3 (2008) *Business combinations*
- Amendment to IFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations*: planned sale of a controlling interest
- Amendment to IAS 32 *Finansielle instrumenter presentasjon*: unntak fra gjeldsdefinisjonen
- Amendment to IAS 39 *Financial Instruments Presentation*: Exemption from the Definition relating to Financial Liabilities
- IFRIC 15 – *Agreements for the Construction of Real Estate*
- IFRIC 16 – *Hedges of Net Investment in a Foreign Operation*
- IFRIC 17 – *Distribution of Non-cash Assets to Owners*
- IFRIC 18 – *Transfer of Assets from Customers*

The Group management has established that all the compulsory and relevant interpretations and standards adopted by the EU will be implemented in the consolidated financial statements from the date they become effective, unless decided otherwise.

Below is a review of the implications these standards are expected to have for the Statnett Group:

IFRS 3 (2008) *Business Combinations*

In relation to the current IFRS 3, the revised standard introduces some amendments and clarifications relating to the application of the acquisition method. Specific matters dealt with include treatment of goodwill in step acquisitions, minority interests, contingent consideration and acquisition costs. The effective date for IFRS 3 (2008) in the EU is 1 July 2009. The Group will implement IFRS3 (2008) from 1 January 2010 forward. The standard is not expected to have any material impact on the consolidated financial statements of the Statnett Group.

AMENDMENT TO IFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations: Planned Sale of Controlling Interest*

In the event of a planned sale of a controlling interest in a subsidiary, all assets and liabilities in the subsidiary shall be classified as held for sale even if it is the entity's intention to retain a non-controlling interest after the sale. The amendment to IFRS 5 will come into force in the EU on 1 July 2009. The Group will implement the IFRS 5 amendment with effect from 1 January 2010.

AMENDMENT TO IAS 32 *Financial Instruments Presentation: Exemption from the Definition relating to Financial Liabilities*

Certain financial instruments, including subscription rights, which entitle the owner to a fixed number of shares in the enterprise against paying a fixed amount in another currency than the enterprise's functional currency, may be classified as equity according to the new amendment. The effective date for the IAS 32 amendment in the EU is 1 February 2010. The standard is not expected to have any material impact on the consolidated financial statements of the Statnett Group.

AMENDMENT TO IAS 39 *Financial Instruments Recognition and Measurement: Eligible Hedged Items*

The amendments to IAS 39 provide a clarification of the rules whereby a financial instrument (hedge object) is hedged in respect of selected risks or components of cash flows. The adopted amendments primarily provide additional guidelines for hedging unilateral risk (hedging with options) and hedging of inflation risk, but also clarify the guidelines with respect to the requirement for the designated risks and cash flows to be identifiable and reliably measurable. The effective date for the amendment to IAS 39 is set at 1 July 2009. The Statnett Group will apply the amendment to IAS 39 with effect from 1 January 2010. The standard is not expected to have any material impact on the consolidated financial statements of the Statnett Group.

IFRIC 15 *Agreements for the Construction of Real Estate*

The interpretation addresses the accounting treatment of real estate projects. The interpretation provides guidance as to which projects should be considered as agreements including construction activities under IAS 11 and which projects should be recognised under IAS 18. The interpretation has an effective date of 1 January 2010 in the EU. The Statnett Group will apply the interpretation as of 1 January 2010. The interpretation is not expected to have any material impact on the consolidated financial statements of the Statnett Group.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

The interpretation addresses the accounting of an entity for the hedging of foreign currency risk arising from its net investments in foreign operations. The interpretation clarifies the types of hedges that may qualify for hedge accounting and the types of risks that may be hedged. The interpretation has an effective date of 1 July 2009 in the EU. The interpretation is not expected to have any material impact on the consolidated financial statements of the Statnett Group.

IFRIC 17 *Distribution of Non-cash Assets to Owners*

The interpretation addresses how an entity should measure and account for distributions of assets other than cash when it pays dividends to its owners. The interpretation has an effective date of 1 November 2009 in the EU. The interpretation is not expected to have any material impact on the consolidated financial statements of the Statnett Group.

IFRIC 18 *Transfers of Assets from Customers*

The interpretation addresses the accounting by recipients of an item of property, plant and equipment transferred from the customer to the supplier of, for instance, electricity, gas, water and telecommunication services, and that are used to connect the customer to the supplier's network, thus providing the customer with ongoing access to a supply of goods or services such as electricity, water, gas or telecommunication services. The interpretation also addresses instances where the supplier of such services receives cash from customers that will be used to procure such assets. The interpretation has an effective date of 1 November 2009 in the EU. The Group will apply the interpretation as of 1 January 2010. The interpretation is not expected to have any material impact on the consolidated financial statements of the Statnett Group.

IASB 5 ANNUAL IMPROVEMENT PROJECT

Amendments have been adopted for a number of standards. The amendments are expected to be effective in the EU as of 2010. The most important amendments that may have an impact on recognition, measurement and note information are listed below:

IFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations*

Operations: Note information required for noncurrent assets (or disposal groups) classified as held for sale or discontinued operations.

IAS 1 *Presentation of Financial Statements*: Classification of convertible instruments as short-term or long-term. The amendment specifies that the settlement of a liability by the issue of equity instruments is not relevant

to the determination of whether the liability is short or long-term.

IAS 7 *Statement of Cash Flows*: Classification of expenditures on unrecognised assets. After the amendment is effective only expenditures resulting in the recognition of an asset in the balance sheet can be recognised as investment activities.

IAS 17 *Leases*: Classification for leases involving land and buildings. Guidance for classification relating to the lease of land has been removed from the standard to eliminate inconsistency compared with the general guide-lines for classification of leases. After the amendment is effective, the lease of land shall be classified according to the general guidelines in IAS 17.

IAS 18 *Revenue*: Distinction between principal and agent. Further guidelines are included in the Appendix to IAS 18 to determine whether an enterprise is acting as a principal or as an agent.

IAS 38 *Intangible Assets*: Accounting treatment of intangible assets acquired in a business combination and measurement of the fair value of intangible assets acquired in a business combination. There are amendments to some IAS 38 paragraphs to specify the requirements under IFRS 3 (2008) concerning accounting of intangible assets acquired in a business combination and the description of the assessment methods usually applied by enterprises to measure the fair value of intangible assets acquired in business combination and that are not sold in an active market.

IAS 39 *Financial Instruments*: Whether loan prepayment penalties should be regarded as closely related derivatives. Exemption from the scope: clarification of IAS 39.2g. Cash flow hedging: time of equity recirculation. Hedging when using internal contracts.

IFRIC 9 *Reassessment of Embedded Derivatives*: The scope of IFRIC 9 and IFRS 3 (2008). The amendment confirms that, in addition to business combinations under IFRS 3 (2008), also derivatives that have been acquired through establishment of a jointly controlled activity and transactions under joint control, are outside the scope of IFRIC 9.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*:

Removes a restriction preventing certain enterprises from holding hedging instruments. The amendment specifies that all Group companies can hold hedging instruments, including hedged foreign companies.

None of the changes imply substantial changes in the Group's accounting principles or notes.

IMPORTANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in compliance with IFRS requires that the management carries out assessments, estimates and assumptions that affect the application of accounting policies and the recognised amounts for assets and liabilities on the balance sheet date, reporting of contingent assets and liabilities, as well as the reported revenues and expenses for the period. Accounting estimates are used to



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

Provisions for liabilities relating to disputes and legal claims are recognised in the income statement when the Group has an existing liability, legal or self-imposed, as a result of an event that has taken place, and the amount can be measured reliably. It must also be demonstrated as probable that a financial settlement will take place. The provisions are measured to the best of the management's ability on the balance sheet date.

Insurance claims are considered a contingent asset. It is not recognised as income until the income is all but certain. In connection with development projects where additional costs relating to the repair of damage constitute part of the facility's cost price, and there is no basis for write-down, insurance claims are recognised as a reduction of the project's acquisition costs. Such a reduction is contingent on the insurance company having acknowledged the damage and that the amount can be estimated reliably.

Significant items relating to Statnett's use of estimates:

Amounts in NOK million			GROUP
Item	Note	Estimate/assumptions	Book value
Tangible fixed assets	7	Recoverable amount and estimate of correct remaining useful life	15 870
Pension liabilities	6	Financial and demographical assumptions	369

DEPRECIATION

Depreciation is based on the management's assessment of the useful life of tangible fixed assets. The assessments may change owing, for example, to technological developments and historical experience. This may entail changes in the useful life of the asset and thus the depreciation. It is difficult to predict technological developments, and Statnett's view of how quickly any changes will come may change over time. If expectations change significantly, the depreciation periods will be adjusted with effect for future periods. Please refer to the more detailed discussion under "tangible fixed assets" below.

WRITE-DOWNS

Statnett has made significant investments in tangible fixed assets. The value of these assets is assessed when there is an indication of impairment in value. Tangible fixed assets in the parent company are regarded as one cash-generating unit and are assessed collectively since Statnett SF has

one collective revenue cap. In subsidiaries each fixed asset is assessed individually.

Statnett expects to make substantial investments in the future. These will largely take place in the form of projects under the company's own direction and be recorded on the balance sheet as plant under construction until the fixed asset is ready to be put into operation. Projects under execution are valued individually on indications of impairment in value.

Estimates of the recoverable amounts for assets must be based in part on the management's assessments, including the calculation of the assets' revenue-generating capacity and probability of licences being granted for development projects. Changes in circumstances and the management's assumptions may result in write-downs for the relevant periods.

PENSION COSTS, PENSION LIABILITIES AND PENSION ASSETS

The calculation of pension costs and net pension liabilities (the difference between pension liabilities and pension assets) is performed on the basis of a number of estimates and assumptions. Changes in and variances from estimates and assumptions (estimate deviations) affect the fair value of the net pension liabilities, but are not recognised in the income statement before the cumulative estimated deviation exceeds 10 per cent of the higher of the pension liabilities or pension assets at the start of the fiscal year.

CONSOLIDATION POLICIES

Consolidated companies

The consolidated financial statements comprise Statnett SF and subsidiaries in which Statnett SF has a controlling influence. These will normally be companies where Statnett SF owns more than 50 per cent of the voting shares, either directly or indirectly through subsidiaries.

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

The cost price of shares in subsidiaries is offset against equity at the time of acquisition. Any excess value beyond the underlying equity of the subsidiaries is allocated to the asset and liability items to which the excess value can be attributed. The portion of the cost price that cannot be attributed to specific assets represents goodwill.

Statnett SF's Group Pension Fund is not part of the Statnett Group. Contributed equity in the pension fund is measured at fair value and classified as fixed assets.

INVESTMENTS IN JOINT VENTURES

Joint ventures are defined as entities in which there are contractual agreements that give joint control together with one or more parties. Earnings, assets and liabilities of joint ventures are recorded in the financial statements in accordance with the equity method, entailing that the Group's share of the earnings for the year after tax and amortisation of any excess value is reported on a separate line in the income statement between operating profit/loss and financial items. The accounts of joint ventures are restated in accordance with IFRS. Interests in joint ventures are carried as fixed asset investments at original cost plus accumulated profit shares and less dividends in the consolidated balance sheet.

INVESTMENTS IN ASSOCIATES

Associates are entities where the Group has a significant, but not controlling influence over the financial and operational management. Normally these will be companies where the Group owns between 20 and 50 per cent of the voting shares. Earnings, assets and liabilities of associates are recorded in the financial statements in accordance with the equity method. This means that the Group's share of the earnings for the year after tax and amortisation of any excess value is reported on a separate line in the income statement between operating profit and financial items. The accounts of associates are restated in accordance with IFRS. Interests in associates are carried as financial fixed assets at original cost plus accumulated profit shares and less dividends in the consolidated balance sheet.

Purchase/sale of subsidiaries, joint ventures and associates

In the case of acquisition or sale of subsidiaries, joint ventures and associates, they are included in the consolidated financial statements for the portion of the year they have been a part of or associated with the Group.

Investments in other companies

Investments in companies in which the Group owns less than 20 per cent of the voting capital are classified as available for sale and are carried at fair value in the balance sheet if they can be measured reliably. Value changes are recognised under other comprehensive income in the statement of comprehensive income.

INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES IN STATNETT SF (PARENT COMPANY ACCOUNTS)

Investments in subsidiaries, joint ventures and associates are accounted for in accordance with the cost method in the parent company accounts. The group contribution paid (net after tax) is added to the cost price of investments in subsidiaries. Group contributions and dividends received are recorded in the income statement as financial income as long as the dividends and group contributions are within the earnings accrued during the period of ownership. Dividends in excess of earnings during the ownership period are accounted for as a reduction in the share investment.

SEGMENT REPORTING

The company has identified its reporting segment based on the risk and rate of return that affect the operations. According to IFRS, the only business segment in which the company is engaged in Norway is that of a transmission system operator. The business is followed up as a single geographical segment. Subsidiaries do not qualify as special business

segments subject to reporting based on IFRS criteria. The parent company, Statnett SF, and the Group are reported as one single business segment.

CASH FLOW STATEMENT

The cash flow statement has been prepared based on the indirect method. Cash includes cash in hand and bank deposits. Cash equivalents are short-term liquid investments that can be converted immediately to a known amount of cash, and that have a maximum term of three months.

REVENUE RECOGNITION PRINCIPLES

Operating revenues are measured at fair value and recognised when they are accrued on a net basis after government taxes. Operating revenues are reported on a gross basis except in cases where Statnett acts primarily as a settlement function in connection with common grids and power trading.

Interest income is recognised over time as it is accrued. Dividends from investments are recorded as income when the dividends are adopted.

REVENUE CAP, TARIFFS AND HIGHER/LOWER REVENUE

General

Statnett is the operator of the main national grid and two common regional grids. As the operator, Statnett is responsible for setting the annual tariffs (price of services) covering the regulated revenue in each common grid. The main national grid is a common grid. In a fiscal year, a discrepancy will arise between the actual revenue and the regulated revenue.

Revenue cap – monopoly operations

Statnett owns transmission grids (power lines and cables) leased to the market, either directly to the customer or via an operator. These are monopoly-regulated operations. This means that the Norwegian Water Resources and Energy Directorate (NVE) sets a limit – a revenue cap – for the maximum grid rent the grid owner can charge each year for its plant and installations.

The basis for calculating the revenue cap is expenditure (including capital expenditure) for a retrospective period of two years. In addition, property tax and transit costs are covered in accordance with the actual costs. A supplement for investment is also granted.

There can be uncertainty attached to measuring the individual amounts included in the revenue cap. Increased revenue as a result of conditions that require an application for adjustment of the revenue caps or clarification of an interpretation of the regulations to be sought from the Norwegian Water Resources and Energy Directorate (NVE), are only included in the accounts if it is considered all but certain that the revenue will be realised.

Rental of foreign cables – outside the monopoly operations

Revenues from foreign cables where Statnett has an ownership interest outside the Norwegian sector are based on contracts and are not included in Statnett's revenue cap. Revenue is recognised monthly by 1/12th of the annual contract amount. The revenue is reported together with the revenue cap as part of the operating revenue termed "Operating revenue regulated operations".



REVENUE CAP TRANSMISSION LOSSES

Revenues

As an operator, Statnett has a separate revenue cap for transmission losses in the national power grid or main grid. The reported revenue cap for transmission losses during the fiscal year is calculated by taking the actual measured loss (in MWh) two years prior to the fiscal year multiplied by a reference price on electricity in the fiscal year. The revenue cap relating to transmission losses for Statnett is included on a gross basis as part of the operating revenue termed "Power Transmission".

Discrepancies between the revenue cap for transmission losses and actual costs of purchases of transmission losses in the fiscal year are, in accordance with the guidelines, apportioned among the plant owners in each common grid of which Statnett is the operator. The fact that other owners in the main national grid cover a share in accordance with their revenue cap is recognised in the accounts.

Transmission losses (power purchases)

Expenses are recognised in accordance with the measured discrepancies between the input and outtake of power in the main national grid. The size of the loss will vary, for example, depending on the temperature, the load in the grid and the electricity price. Losses arising during transmission of power in the main national grid and the common regional grids are covered by the grid's operator and are recognised as ordinary operating expenses.

COMMON GRIDS – TARIFF-SETTING AND HIGHER/LOWER REVENUE FOR THE YEAR

Tariff revenues

As the operator of the main national grid and two common regional grids, Statnett is responsible for billing the users for the services they receive. The billing is done on the basis of a fixed price system (tariff model), in accordance with guidelines provided by the NVE. The price system consists of fixed elements and variable elements (the energy element). Fixed elements are billed evenly throughout the year, while the energy element is billed concurrently with the input into or outtake of power from the grid.

Higher/lower revenue

The tariff for the year is set with a view to ensuring that the higher/ lower revenue is zero at the end of the year. The tariff is set ahead of the current year. The electricity price and other parameters included in calculating the revenue cap must then be estimated. Through the year and at the end of the year, discrepancies will therefore arise between billed tariffs and the calculated revenue. The discrepancy is called higher or lower revenue.

Higher/lower revenue at year-end is taken into account when setting the tariffs for the following year.

POWER SALES/PURCHASES

Statnett is the Transmission System Operator (TSO) and is responsible for the regulating power system and balance settlement system. Responsibility for the balance settlement system means that Statnett subsequently compares the measured and agreed energy volumes, calculates any discrepancies, and performs the financial settlement between the market participants. The settlement is based on the prices in the regulating power

market. Net settlement in the regulating power market is intended to add up to zero. Statnett receives a fee per MWh that is settled. If the settlement is across national borders in the Nordic region, a marginal price difference will arise based on the average of the Norwegian and foreign regulating power price, which is passed on to or is charged to Statnett as the TSO.

The function of responsibility for the balance settlement system is not regarded as a commercial activity and the net power sales are included in the accounting line for system services as one of several cost elements.

Power sales/purchases are recorded in the income statement when they are accrued/incurred, i.e. at the time of delivery.

CUSTOMER PROJECTS

Project revenue is recognised on a current basis based on the measurement of the estimated fair value. This means that revenue is recognised as the work is performed based on the degree of completion. The degree of completion is determined on the basis of the accrued costs of the executed work and estimated total project expenditure. Revenue is included in other operating revenues. Billed and accrued project revenues are included in trade accounts receivable.

Where projects are expected to make a loss, the entire expected loss is recognised as an expense.

TAXES

Tax in the income statement encompasses both the tax payable for the period and changes in the deferred tax liabilities/assets. The tax payable is calculated based on the taxable profit for the year. Net deferred tax assets/liabilities are calculated on the basis of temporary differences between the accounting and tax values, and the tax loss carried forward.

Tax-adding or tax-deducting temporary differences that reverse or may reverse are offset. Deferred tax assets are recorded when it is probable that the company will have a sufficient taxable profit to benefit from the tax asset. Deferred tax liabilities/assets that can be recorded in the balance sheet are carried at their nominal value on a net basis.

Property taxes are recorded in the income statement and paid during the tax year. They are classified as other operating expenses.

CLASSIFICATION OF ITEMS IN THE BALANCE SHEET

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

PLANT UNDER CONSTRUCTION

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

PILOT PROJECTS

The expenses for preliminary work (engineering) associated with investments are recognised in the balance sheet as plant under construction after an investment decision has been made. Ongoing assessments are made of whether licensing conditions or other causes necessitate a full or partial write-down of the project expenses incurred. Write-downs are reversed when there is no longer any basis for the write-down.

INTEREST DURING THE CONSTRUCTION PERIOD

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

TANGIBLE FIXED ASSETS

Tangible fixed assets are carried at cost less accumulated depreciation and write-downs. The depreciation reduces the carrying value of tangible fixed assets, excluding building lots, to the estimated residual value at the end of the expected useful life. Ordinary straight-line depreciation is performed from the point in time when the asset was ready for operation, and is calculated based on the expected useful life of the asset. This applies correspondingly to fixed assets acquired from other grid owners. The cost price is decomposed when the fixed asset consists of components with a different useful life.

The estimated useful life, depreciation method and residual value are assessed once a year. The value is assessed when there is an indication of an impairment in value. Tangible fixed assets in the parent company are regarded as one cash-generating unit and are assessed collectively since Statnett SF has one collective revenue cap. In subsidiaries, each fixed asset is measured individually. For most assets, the residual value is estimated at zero at the end of the useful life.

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

COMPENSATION

Lump sum payments in connection with the acquisition of land etc. are included in the cost price of the fixed asset. Ongoing payments are recognised in the income statement in the year in which the liability is incurred.

MAINTENANCE/UPGRADES

Maintenance expenses are recognised in the income statement when they are incurred. No provisions are made for the periodic maintenance of the grid (transformer stations or power lines). Even though maintenance is periodic for the individual transformer station or power line, it is not considered to be periodic for the entire grid as the grid as a whole is regarded as one single cash-generating unit. If the fixed asset is replaced, any residual financial value will be recorded in the income statement as a loss on disposal.

Expenses that significantly extend the life of the fixed asset and/or increase its capacity are capitalised.

WRITE-DOWN OF TANGIBLE FIXED ASSETS

If there are indications of an impairment in value of tangible fixed assets, the recoverable amount will be estimated for the fixed assets in order to calculate a possible write-down.

The recoverable amount is the higher of the net sales value and utility value of the asset. To assess the utility value, estimated future cash flows are discounted to present value using a discount rate before tax that reflects the current market assessments of the time value of money and risk that are specific to the asset.

If the recoverable amount for a fixed asset (or cash-generating unit) is estimated to be lower than the carrying value, the carrying value of the fixed asset (or cash-generating unit) will be reduced to the recoverable amount. If an impairment in value is subsequently reversed, the carrying value of the fixed asset (cash-generating unit) will be increased to the revised estimate of the recoverable amount, but limited to the value that would be the carrying value if the fixed asset (or cash-generating unit) had not been written down in a prior year.

FINANCIAL LEASING

The Group as lessor

Financial lease agreements

The Group presents leased assets as receivables equal to the net investment in the lease agreements. The Group's financial income is determined so that a constant rate of return is achieved on the outstanding receivables over the term of the agreement. Direct expenses incurred in connection with the establishment of the lease agreement are included in the receivable.

Operating leases

The Group presents leased assets as fixed assets in the balance sheet. The lease revenue is recognised linearly over the term of the lease. Direct expenses incurred to establish the operating lease agreement are added to the leased asset's carrying value and recognised as expenses during the term of the lease on the same basis as the lease revenue.

THE GROUP AS LESSEE

Financial lease agreements

Financial lease agreements are lease agreements where the Group takes over the major part of the risk and return associated with the ownership of the asset. At the beginning of the lease term, financial lease agreements are capitalised at an amount corresponding to the lower of fair value and the present value of the minimum rent, less accumulated depreciation and write-downs. When calculating the lease agreement's present value, the implicit interest charge in the lease agreement is used if this can be estimated. Otherwise the company's marginal borrowing rate is used. Direct expenses related to establishing the lease agreement are included in the asset's cost price.

The same depreciation period is used as for the company's other depreciable assets. If it is not reasonably certain that the company will acquire



ownership at the end of the lease period, the asset will be depreciated over the shorter of the lease agreement's duration and the asset's useful life.

Operating leases

Operating leases where the major part of the risk and return associated with ownership of the asset is not transferred to the Group, are classified as operating leases. The rent payments are classified as operating expenses and are recorded linearly in the income statement over the duration of the agreement.

RESEARCH AND DEVELOPMENT EXPENSES

Research expenses are recognised on a current basis. Research is an internal process that does not give rise to independent intangible assets that generate future economic benefits.

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

Capitalised development expenses are depreciated by the straight-line method over the estimated useful life of the asset.

TRADE ACCOUNTS

Trade accounts are recorded in the accounts at nominal value less any losses from impairment in value.

CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are not recorded in the annual financial statements. Significant contingent liabilities are disclosed unless the probability of the liability is low.

A contingent asset is not recorded in the annual financial statements, but will be disclosed if there is a certain probability that it will benefit the Group.

Higher/lower revenues are contingent liabilities/assets in accordance with IFRS and are not recorded in the balance sheet.

DIVIDENDS (FROM THE PARENT COMPANY)

Dividends paid are recorded in the Group's accounts during the period when they are approved by the general meeting. If the approval and payment occur in different periods, the amount will be allocated to current liabilities until payment is made.

PENSIONS AND PENSION LIABILITIES

The parent company and subsidiaries operate pension schemes entitling the employees to future pension benefits (defined benefit schemes).

The Group's pension schemes meet the requirements in the Norwegian Mandatory Occupational Pension Act.

The pension benefits are based on the number of service years and final salary at retirement age. The full retirement pension is 70 per cent of pensionable income less the State's pension payments under the Norwegian National Insurance Scheme. The pensionable income is limited upward to 12 times the basic amount (G) under the National Insurance Scheme. The full contributory period is 30 years and the normal retirement age is 67. The scheme also includes disability pensions, spouse pensions and children's pensions.

The Group management has a separate additional agreement under which the normal retirement age is 65 years, but with the possibility of retirement after reaching the age of 62. The retirement pension is 66 per cent of pensionable income. The pensionable income also includes a base that exceeds 12 times the basic amount (G) under the National Insurance Scheme. For more information, see Note 5 concerning Group management pensions.

The Group has a contractual early retirement scheme (AFP), which under given assumptions permits employees to choose early retirement between the ages of 62 and 67. The AFP payments will as a rule be equal to the State pension paid under the National Insurance Scheme at age 67.

Accrued pension rights are secured chiefly through pension schemes in Statnett SF's Group Pension Fund and the Norwegian Public Service Pension Fund. In addition, the parent company has early retirement pensions that are funded through operations.

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

Pension liabilities are calculated in accordance with IAS 19 "Employee Benefits". The mortality risk table K2005, based on the best estimates for the populations in Norway, is applied. Pension assets are measured at fair value on the balance sheet date. Pension liabilities are measured at the present value of the future pension liabilities accrued in the balance sheet date to be covered by the company's own pension fund or funded through operations.

The net pension liabilities on the balance sheet are determined after adjustment for deferred recognition in the income statement of the effect of changes in estimates and pension schemes, as well as discrepancies between the actual and expected return on pension assets that have not yet been recognised in the income statement. The net pension liabilities are reported as provisions for liabilities. Overfunded schemes where the assets cannot be transferred to underfunded schemes are reported as pension assets (fixed asset investments).

Changes in the pension liabilities and pension assets due to changes and variances in the calculation assumptions (estimate changes) are distributed over the estimated average remaining service period if the variances exceed 10 per cent of the higher of the gross pension liabilities or pension assets at the start of the year. Only the portion of the variance that exceeds 10 per cent is amortised.

Employees who leave the company before retirement age receive a paid-up policy. The paid-up policies are administered by the life insurance company Storebrand Livsforsikring AS. From the date the paid-up policy is issued, Statnett is exempt from any obligation to employees to which the paid-up policies apply. Assets and liabilities are measured at the date of issue of the paid-up policies, and are separated from pension assets and liabilities. An independent actuary calculated the pension liabilities in January 2010 as an estimate of the situation at 31 December 2009.

When calculating the pension liabilities, the National Insurance contributions that the enterprise is required to pay on the payment of direct pensions or the payment of premiums for fund-based schemes are taken into account. The National Insurance contribution is a component of the enterprise's benefit and is recorded as part of the pension liabilities.

The net pension costs for the year are included in wage costs in the income statement. Premiums paid are accounted for as investment in pension assets.

LOANS

Interest-bearing loans are recorded in the income statement as the proceeds that are received, net of any transaction costs. Loans are subsequently accounted for at amortised cost using the effective interest rate method, where the difference between net proceeds and redemption value is recognised in the income statement over the term of the loan.

FINANCIAL INSTRUMENTS

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), financial instruments are classified in the following categories: fair value through profit or loss, available for sale, amortised cost and loans and receivables. The initial measurement of financial instruments is at fair value on the settlement date, normally at the transaction price.

- Financial assets and liabilities held for the purpose of profiting from short-term price fluctuations (held for trading purposes) or accounted for based on the fair value option are classified at fair value through profit or loss.
- All other financial assets with the exception of loans and receivables issued by the company are classified as available for sale.
- All other financial liabilities are classified as other liabilities and accounted for at amortised cost.

Gains or losses attributed to changes in fair value of financial instruments classified as available for sale are recognised as other comprehensive income until the disposal of the investment. The cumulative gain or loss on the financial instrument previously recognised in other comprehensive income will be reversed, and the gain or loss will be recognised in the income statement.

Changes in the fair value of financial instruments classified at fair value through profit or loss (held for trading purposes or fair value option) are recognised in the income statement and presented as financial income/expenses.

Financial instruments are included in the balance sheet when the Group becomes a party to the instrument's contractual terms. Financial instruments are eliminated from the balance sheet when the contractual rights or obligations have been fulfilled, cancelled, or transferred, or they have expired. Financial instruments are classified as long-term when they are expected to be realised more than 12 months after the balance sheet date. Other financial instruments are classified as short-term.

DERIVATIVES AND HEDGING

The Group utilises derivatives such as future interest rate swaps and currency swaps to hedge its interest rate and currency risks. Such derivatives are recognised initially at fair value at the date when the contract is entered into and then measured at fair value on a current basis. Derivatives are accounted for as assets when the fair value is positive and as liabilities when the fair value is negative, provided that Statnett has no right or intention to settle the contracts net. Gains and losses resulting from changes in the fair value of derivatives that do not meet the conditions for hedge accounting are recorded in the income statement.

Derivatives that are embedded in other financial instruments or non-financial contracts are treated as separate derivatives when their risk and properties are not closely related to the contracts, and the contracts are not recorded at fair value with the change in value carried through profit or loss.

When entering into a hedging contract, the Group will formally identify and document the hedging contract that the Group will use hedge accounting for, as well as the risk that is hedged and the strategy for the hedge. Documentation includes identification of the hedging instrument, or the item or transaction that is hedged, the type of risk that is hedged, and how the Group will assess the effectiveness of the hedging instrument to counteract the exposure to changes in the hedged item's fair value or cash flows that can be attributed to the hedged risk. Such hedges are expected to be highly effective in counteracting changes in fair value or cash flows, and are assessed on a current basis to determine whether they actually have been highly effective throughout the entire accounting period they are intended to cover.

Hedges that fulfil the strict conditions for hedge accounting are accounted for as follows:

FAIR VALUE HEDGING

Fair value hedging is hedging of the Group's exposure to changes in the fair value of a recorded asset or liability or an unrecognised liability, or an identified portion of such, that can be attributed to a specific risk and can affect earnings. For fair value hedging the carrying value of the hedged item is adjusted for gains or losses from the risk that is hedged. Derivatives are remeasured at fair value, and gains or losses from both are recorded in the income statement.

For fair value hedging of items that are accounted for at amortised cost, the change in value is amortised in the income statement over the remaining period until maturity.



The Group discontinues fair value hedging if the hedging instrument expires or is sold, or is terminated or exercised, and the hedging no longer fulfils the conditions for hedge accounting or the Group cancels the hedging.

The Group uses fair value hedging primarily to hedge the interest rate risk for fixed interest rate loans and the currency risk for interest-bearing liabilities. Hedging is also performed for specific acquisitions in foreign currencies for investment projects. Unrealised hedging gains/losses (currency futures) reduce/increase the cost price of the investments upon realisation.

CASH FLOW HEDGING

A cash flow hedge is a hedge of the exposure to the variability of cash flow that is attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised as other comprehensive income, while the ineffective portion is recognised as financial income or cost.

Amounts that are recognised as other comprehensive income are recognised in the income statement as financial income or cost when the hedged transaction affects the profit or loss.

If the expected forecast transaction is no longer expected to take place, amounts recognised earlier as other comprehensive income will be recognised in the income statement as financial income or cost.

If the hedging instrument expires, or is sold, terminated or used, without being replaced or continued, or when the hedging is cancelled, the amount recognised previously as other comprehensive income is retained until the forecast transaction is executed. If it is not expected that the related transaction will be executed, the amount will be recognised in the income statement as financial income or cost.

The Group uses cash flow hedging primarily to hedge the interest rate risk in respect of loans with floating interest rates.

FINANCIAL RISK MANAGEMENT

Risk management is performed by the central finance department in accordance with guidelines approved by the Board of Directors.

The Board of Directors lays down principles for general financial risk management, in addition to guidelines that cover specific financial risks.

FOREIGN CURRENCY

The consolidated financial statements are presented in Norwegian Kroner (NOK), which is also Statnett SF's functional currency. All group companies use NOK as their functional currency.

As all the companies in the Group have the same functional currency, no translation differences arise upon consolidation of the group companies.

Transactions in foreign currencies are translated at the rate in effect on the date of the transaction. Monetary items in foreign currencies are translated into NOK at the exchange rate in effect on the balance sheet date. Non-monetary items that are measured at historical cost expressed in foreign currency are translated into NOK using the exchange rate in effect on the date of the transaction. Non-monetary items that are measured at fair value expressed in foreign currency are translated at the exchange rate in effect on the balance sheet date. Changes in exchange rates are recorded on a current basis in the income statement during the accounting period.

Long-term interest-bearing debt in foreign currency is related to interest rate swaps and treated as borrowings in NOK.

PROVISIONS

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

GOVERNMENT GRANTS

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

EVENTS AFTER THE BALANCE SHEET DATE

New information on the company's positions on the balance sheet date is incorporated into the annual financial statements. Events after the balance sheet date that do not affect the company's position on the balance sheet date, but will affect the company's position in the future, are disclosed if they are material.

NOTE 2 – OPERATING REVENUES

Power transmission

Statnett's revenues are derived mainly from activities regulated by the NVE. Statnett's actual operating revenues from the regulated activities come from fixed and variable tariff revenues in the main grid and the regional grid, as well as from congestion revenues. Congestion revenues arise when the price of electricity differs between different price areas in the Nordic countries and between Norway and the Netherlands. When electricity is transmitted between different price areas a gain arises which is termed congestion revenues.

Each year, the NVE sets an upper limit, or cap, for Statnett's permitted revenue. This item corresponds to Statnett's revenue ceiling as well as revenue ceiling supplements in the year in question.

A discrepancy arises annually between Statnett's actual operating revenues from the regulated activities and the permitted revenue determined by NVE. This discrepancy is known as higher revenue or lower revenue.

Higher revenue means that Statnett has had higher operating revenues than the revenue cap set by the NVE for a particular year. Lower revenue means that Statnett's actual operating revenues have been lower than the revenue cap.

Pursuant to the Norwegian Water Resources and Energy Directorate (NVE) regulations, any surplus in revenues must be returned to the customers in the form of lower prices in subsequent years. Correspondingly, lower revenues can be recouped by charging higher prices in subsequent years. The obligation to reduce future tariffs and the opportunity to collect increased tariffs does not qualify for capitalisation according to IFRS. Consequently, an annual change in these items will not be included in the income statement.

Statnett's actual operating revenues from the regulated activities equal the total of Statnett's permitted revenue set by the NVE and the higher/lower revenue the same year.

SPECIFICATION OF INCOME ON REGIONAL (R GRID) AND MAIN GRID (M GRID)

Operating revenue	R-grid	S-grid	Total 2008	R-grid	S-grid	Total 2009
Tariff revenue fixed element generation	27	657	684	28	663	691
Tariff revenue fixed element consumption	24	1 918	1 942	47	1 123	1 170
Other rental income	116	-	116	117	31	148
Energy element	20	719	739	-6	648	642
Congestion revenue	-	884	884	-	384	384
Income from other owners in the regional grids	-50	-242	-292	-24	-322	-346
Total operating revenue, regulated activities	137	3 936	4 073	162	2 527	2 689
PERMITTED REVENUE						
Revenue cap without grid losses	105	2 302	2 407	63	2 184	2 247
Revenue cap, grid losses	20	712	732	23	699	722
Supplement to revenue cap	5	211	216	20	733	753
Total permitted revenue / power transmission	130	3 225	3 355	106	3 616	3 722
This year s changed balance for lower revenue	-7	-711	-718	-56	1 089	1 033
This year s provision for interest, lower revenue	1	-4	-3	-	2	2
Changed balance for lower revenue, including interest	-6	-715	-721	-56	1 091	1 035
Balance lower revenue, incl. interest as at 1 Jan.	14	279	293	8	-436	-428
Balance lower revenue, incl. interest as at 31 Dec.	8	-436	-428	-48	655	607



OTHER OPERATING REVENUES

Other operating revenues are revenues outside of the regulated activities and consist of external consultancy commissions totalling NOK 47 million, rental income totalling NOK 37 million and breakdown maintenance reimbursement totalling NOK 6 million.

External assignments within the rest of the Group are carried out by Statnett Transport AS.

BALANCE SETTLEMENT

Statnett SF holds a separate licence to manage the regulating power settlement system in Norway. This involves settling financially the difference the market members have between planned electricity consumption and actually measured values.

Regulating power members must have:

1. A trading licence from the NVE
2. A Balance Agreement between the customer and Statnett (or be part of another regulating power member)
3. Access to power, either generation, bilaterally or at Nord Pool Spot. Most regulating power members are also members of Nord Pool Spot, in which case the member agreement is used (between Nord Pool Spot and the customer).

The fees for this service totalled NOK 40 million in 2009.

Outstanding trade accounts receivables relating to the balance accounting totalled NOK 8 million at 31 December 2009 and are disclosed as trade accounts and other short-term receivables.

By accepting the Balance Agreement, approved members (regulating power members) undertake to furnish satisfactory security for financial settlement of power trading in the regulating power market.

The security requirement is calculated weekly under the rules in the Balance Agreement. The calculation is based on trading volume and market prices, and reflects the regulating power members' settlement risk. Statnett also assesses the security requirement on an ongoing basis and may demand more security at any time if necessary.

The minimum security requirement for trading is NOK 200 000, which must be registered with Statnett before trading starts.

Security is posted as a guarantee on demand or as a cash deposit in a pledged bank account, or in another manner approved by Statnett in accordance with the applicable rules. The rules for posting security can be amended at one week's notice. The amount of security posted totalled NOK 1 144 million at 31 December 2009. The security posting requirement for regulating power members on the same date was NOK 579 million. All the regulating power members had posted satisfactory security under the Balance Agreement.

NOTE 3 – SYSTEM OPERATIONS

PARENT COMPANY		<i>(Amounts in NOK million)</i>	GROUP	
2008	2009		2009	2008
28	23	Other system services	23	28
15	9	Energy options	9	15
34	50	Power reserves	50	34
64	117	Frequency response	117	64
117	153	Special adjustments	153	117
118	118	Transit costs	118	118
376	470	Total system services	470	376

System services are costs relating to the exercise of Statnett's system responsibility, as defined in the Regulations relating to the system responsibility in the power system (FoS).

NOTE 4 – WAGE COSTS, EMPLOYEES

PARENT COMPANY			GROUP	
2008	2009	(Amounts in NOK million)	2009	2008
394	454	Wages	482	416
70	79	Employer s NICs	84	74
119	130	Pension costs	131	121
37	44	Other benefits	41	31
620	707	Total wage costs	738	642
-137	-162	Of which own investment projects	-162	-137
483	545	Net wage costs	576	505
675	736	Number of full-time equivalents (FTEs)	774	705

Loans to employees

Employees had loans in the company totalling NOK 0.5 million as at 31 December 2009. The loans are interest-free and repaid by deductions from wages over a period of up to two years. The interest advantage of loans exceeding 3/5 of the basic amount (G) under the national insurance scheme is taxed at the current standard interest rate set by the authorities.

AUDITORS FEES

PARENT COMPANY			GROUP	
2008	2009	(Amounts in NOK million)	2009	2008
682 500	706 500	Auditing of annual accounts	897 300	834 603
209 650	319 350	Other attestation services	319 350	252 100
59 975	246 450	Tax-related assistance	260 950	59 975
427 080	265 480	Other assistance	271 480	427 080
1 379 205	1 537 780	Total fees (ex. VAT)	1 749 080	1 573 758



NOTE 5 – REMUNERATION/BENEFITS TO GROUP MANAGEMENT/BOARD

REMUNERATION/BENEFITS TO SENIOR EXECUTIVES 2009

<i>(Amounts in NOK)</i>		Booard remuneration	Salary	Other remuneration	Pension cost	Total rem.
Group Management						
President and CEO						
Auke Lont ^{a)}			1 724 388	144 713	2 132 009	4 001 110
Odd Håkon Hoelsæter, resigned ^{a)}			372 661	18 380	127 726	518 767
Group Management						
Gunnar G. Løvås	Grid Development		1 245 384	143 222	744 328	2 132 934
Håkon Borgen	Projects		1 246 149	153 236	612 655	2 012 040
Øivind Kristian Rue	Grid Operations		1 350 671	139 683	1 057 159	2 547 513
Bente Hagem	Commercial Division		1 279 147	177 495	1 217 758	2 674 400
Gun Bente Johansen	Corporate Staff		1 265 622	141 728	926 245	2 333 595
Marie Jore Ritterberg	Finance		1 230 663	179 326	1 048 340	2 458 329
Peer Olav Østli	ICT		1 283 012	146 037	845 229	2 274 278
Audun Severin Hustoft ^{b)}			1 255 872	215 518	1 188 325	2 659 715
Board of Directors						
Bjarne Aamodt	Chair		320 000			320 000
Thor Håkstad	Vice Chair		210 000			210 000
Kirsten Indgjerd Værdal	Board member ^{d)}		80 000			80 000
Grethe Høiland	Board member		160 000			160 000
Heidi Ekrem	Board member		160 000			160 000
Per Hjorth	Board member		160 000			160 000
Christine B. Meyer	Board member ^{d)}		80 000			80 000
Kirsten Faugstad	Board member ^{c)}		160 000			160 000
Steinar Jøråndstad	Board member ^{c)}		160 000			160 000
Bjørn Solberg	Board member ^{c)}		160 000			160 000
Total remuneration		1 650 000	12 253 569	1 459 338	9 899 774	25 262 681

All figures are exclusive of employer's NICs

Deputy board members and observers do not receive fees.

^{a)} Auke Lont became the new President and CEO on 1 February 2009.

Odd Håkon Hoelsæter resigned from his post and retired on 31 January 2009.

^{b)} Audun Severin Hustoft was part of the Group Management until 1 December 2009.

^{c)} In the case of employee representatives, only board members' fees are stated.

^{d)} Kirsten Indgjerd Værdal was elected to the Board after Christine B. Meyer resigned in June 2009.

There was a change in Statnett's Group Management as of 1 December 2009 due to reorganisation of the company.

After the reorganisation the Group Management will consist of Exec. VPs for Grid Development, Projects, Grid Operations and Commercial Division. As of the same time, a management group for Group development was established which in addition to the Group Management includes the Exec. VPs of Corporate Staff, Finance and ICT.

REMUNERATION/BENEFITS TO SENIOR EXECUTIVES 2008

<i>(Amounts in NOK)</i>		Board remuneration	Salary	Other remuneration	Pension cost	Total rem.
Group Management						
President and CEO						
Odd Håkon Hoelsæter			1 678 036	165 841	1 532 711	3 376 588
Exec. Vice Presidents						
Håkon Borgen			1 185 414	138 017	612 655	1 936 086
Marie Jore Ritterberg ^{a)}			416 388	60 941	347 215	824 544
Bente Hagem			1 209 733	146 366	1 094 096	2 450 195
Audun Severin Hustoft			1 165 688	182 208	958 848	2 306 744
Gun Bente Johansen			1 128 351	120 729	905 346	2 154 426
Gunnar G. Løvås			1 168 650	123 228	644 425	1 936 303
Øivind Kristian Rue			1 279 086	105 956	945 455	2 330 497
Peer Olav Østli			1 192 383	121 765	826 645	2 140 793
Anne Breive, <i>fratrådt</i> ^{b)}			334 802	23 727	0	358 529
Board of Directors						
Bjarne Aamodt	Chair ^{d)}	224 000				224 000
Svein Rennemo	Chair ^{d)}	96 000				96 000
Kjell Olav Kristiansen	Vice Chair ^{d)}	63 000				63 000
Heidi Ekrem	Board member	160 000				160 000
Kirsten Faugstad	Board member ^{c)}	160 000				160 000
Thor Håkstad	Vice Chair ^{d)}	195 000				195 000
Grethe Høiland	Board member	160 000				160 000
Steinar Jøråndstad	Board member ^{c)}	160 000				160 000
Ole Bjørn Kirstihagen	Board member ^{c)}	80 000				80 000
Christine B. Meyer	Board member	160 000				160 000
Per Hjorth	Board member	112 000				112 000
Bjørn Solberg	Board member ^{c)}	80 000				80 000
Total remuneration		1 650 000	10 758 531	1 188 778	7 867 396	21 464 705

All figures are exclusive of NICs

Deputy board members and observers do not receive fees.

^{a)} Marie Jore Ritterberg took over her post on 1 September 2008.

^{b)} Anne Breive resigned from her post on 29 February 2008.

^{c)} In the case of employee representatives only board members' fees are stated.

^{d)} Bjarne Aamodt took over as Chair after Svein Rennemo in April 2008.
Thor Håkstad took over as Vice Chair after Kjell Olav Kristiansen in April 2008



	Periods of notice, months, basic pay	months of basic pay
Auke Lont, President and CEO	6 months	12 months
Gunnar G. Løvås, Exec. Vice President	6 months	None
Håkon Borgen, Exec. Vice President	6 months	None
Øivind Kristian Rue, Exec. Vice President	6 months	None
Bente Hagem, Exec. Vice President	6 months	None
Gun Bente Johansen, Exec. Vice President	6 months	None
Marie Jore Ritterberg, Exec. Vice President	3 months	None
Peer Olav Østli, Exec. Vice President	6 months	None
Audun Severin Hustoft, Exec. Vice President	6 months	None

The President and CEO has a termination pay agreement of 12 months in the event the company terminates the employment.

The pay after termination will be reduced by the amount equal to remuneration from new appointments or business activities of which he is an active owner.

No senior executives have termination pay agreements in the event of employment termination or changed employment conditions.

If an employee resigns, the normal period of notice is 3 months; if the company terminates the employment, the period of notice is 6 months after 2 years' employment.

The Group has no commitment to reward the Group Management or Board of Directors in the form of profit-sharing, bonus or share options-based payments.

No loans have been made to or security provided for members of the Group Management or Board of Directors.

CONDITIONS FOR THE GROUP MANAGEMENT

Title/name	Conditions relating to retirement age/early retirement/retirement
President and CEO: Auke Lont	<p>From the 65th birthday, the full annual retirement pension is 66 per cent of the pension base, i.e. of the fixed, normal annual salary at retirement. The pension base is adjusted annually by the same percentual increase as in the basic amount (G) under the National Insurance Scheme. From the 67th birthday, the annual retirement pension of 66 per cent will be co-ordinated with the retirement pension disbursed from Statnett SF's Group Pension Fund and the Norwegian state old age pension.</p> <p>Upon death, any surviving spouse and children under the age of 21 will receive a pension.</p> <p>Should the President become disabled before his 65th birthday, he will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension disbursement will match the degree of disability.</p>

Executive Vice Presidents: The retirement age is 65, but with the right to retire with an early retirement pension at any time after the 62nd birthday. In the event of retirement between ages 62 and 65, an annual payment of 66 per cent of the pension base (pensionable income) will be disbursed, i.e. of fixed, normal annual salary at retirement.

Hakon Borgen
Bente Hagem
Audun Severin Hustoft
Ivind Kristian Rue

The pension base is adjusted annually by the same percentual increase as in the basic amount (G) under the National Insurance Scheme. In the event that income is received from others and this, together with the early retirement pension disbursed by Statnett, exceeds the final salary, the early retirement pension will be reduced by 50 per cent of the amount that exceeds final salary

From the 65th birthday, the full annual retirement pension is 66 per cent of the pension base, i.e. of the fixed, normal annual salary at retirement. The pension base is adjusted annually by the same percentual increase as in the basic amount (G) under the National Insurance Scheme. From the 67th birthday, the annual retirement pension of 66 per cent will be co-ordinated with the retirement pension paid from Statnett SF's Group Pension Fund and the Norwegian state old age pension.

Upon death, any surviving spouse and children under the age of 21 will receive a pension.

The above persons' entitlements to pension benefits over and above paid-up policies from Statnett SF's Group pension Fund from the 62nd birthday will lapse if they are no longer employed by Statnett SF on their 62nd birthday.

Should any of the above persons become disabled before their 65th birthday, he or she will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension disbursement will match the degree of disability.

Executive Vice Presidents The retirement age is 65. The full contribution period is 30 years. In the event of agreed retirement between ages 62 and 65, an annual payment of 66 per cent of the pension base (pensionable income) will be paid, less one percentage point for each year between 62 and 65. The pension base is the fixed, normal annual salary at retirement.

Gunnar G. Løvås
Peer Olav Stili
Gun Bente Johansen
Marie Jore Ritterberg

The pension base is adjusted annually by the same percentual increase in the basic amount (G) under the National Insurance Scheme. Pension payments may be reduced if the member receives any pay, pension or remuneration from other companies in the Statnett Group.

From the 65th birthday the full annual retirement pension is 66 per cent of the pension base, i.e. of the fixed, normal annual salary at retirement. The pension base is adjusted annually by the same percentual increase as in the basic amount (G) under the National Insurance Scheme. From the 67th birthday, the annual retirement pension is covered through the National Insurance Scheme and Statnett's group pension scheme, plus 66 per cent of the part of the pension base that exceeds 12 times the basic amount (G), provided that there is a full contributory period (30 years).

Upon death, any surviving children under the age of 21 will receive a children's pension.

If the member leaves the company before retirement age, a pension rights certificate will be issued, which will secure retirement pension benefits from age 65. The pension rights certificate will be adjusted by 75 per cent of the increase in the basic amount (G) for each year until retirement age.

Should any of the above persons become disabled before their 65th birthday, he or she will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension will be reduced according to disability.



NOTE 6 – PENSIONS AND PENSION LIABILITIES

PARENT COMPANY		PENSION SCHEME MEMBERS	GROUP	
2008	2009		2009	2008
1 023	1 144	Members of the pension fund	1 179	1 051
288	303	Of which pensioners	308	291
735	841	No. of active pension scheme members	871	760

Financial/actuarial assumptions, Parent company and Group	2009	2008
Discount rate	4.5 %	4.0 %
Expected return on pension assets	5.7 %	6.0 %
Expected pay adjustments	4.5 %	4.5 %
Expected pension adjustments	4.3 %	3.8 %
Expected adjustment of basic amount (G) under national insurance scheme	4.3 %	3.8 %
Remaining service period	14 år	14 år

Assumptions for use of contractual early retirement (AFP), Parent	2009	2008
62 years	25 %	25 %
63 years	5 %	5 %
64 years	5 %	5 %
65 years	35 %	35 %

Percentual breakdown of pension assets into investment categories Parent company and Group as at 31 December	2009	2008
Property	8 %	9 %
Held-to-maturity bonds	34 %	30 %
Norwegian bonds	20 %	23 %
Foreign bonds	5 %	1 %
Norwegian money market	22 %	19 %
Hedge funds and international equities funds	10 %	13 %
Bank deposits	1 %	5 %
Total	100 %	100 %

Pension cost			GROUP	
PARENT COMPANY		DEFINED-BENEFIT SCHEMES	2009	2008
2008	2009	(Amounts in NOK)		
82	98	Present value of this year's pension contributions	99	83
58	53	Interest cost of pension liability	54	58
-36	-42	Expected return on pension assets	-43	-36
15	21	Actuarial gains/losses in income statement	21	16
119	130	Net pension cost	131	121
17	18	Payroll tax of employer's contributions	19	17
136	148	Net pension cost incl. employer s contribution	150	137

The expected pension premium for 2010 is NOK 99 million for the Parent Company and NOK 100 million for the Group. Amendments were made to the rules for contractual early retirement (AFP) on 19 February. For details see Note 14 Events after the balance sheet date.

Secured pension liabilities and pension assets

PARENT COMPANY		Defined-benefit schemes <i>(Amounts in NOK million)</i>	GROUP	
2008	2009		2009	2008
Secured	Secured		Secured	Secured
Change in gross pension liability				
1 187	1 419	Gross pension liability at 1 Jan.	1 432	1 200
82	98	Present value of the year's pension contributions	99	84
58	54	Interest cost of pension liability	54	58
121	-77	Actuarial gains and losses	-78	119
-14	-13	Employer's contribution on premium paid	-13	-14
-15	-16	Pension/paid-up policies paid out	-16	-15
1 419	1 465	Gross pension liabilities as at 31 Dec.	1 478	1 432
Change in gross pension assets				
653	762	Fair value of pension assets at 1 Jan.	770	661
41	47	Actual return on pension assets	48	41
-13	-9	Actuarial gains and losses	-10	-15
96	93	Premium paid	94	98
-15	-16	Pension/paid-up policies paid out	-16	-15
762	877	Actual value of pension assets as at 31 Dec.	886	770
657	588	Net pension liability as 31 Dec.	592	662
-431	-343	Estimate variances not recognised in income statement	-346	-434
226	245	Net capitalised pension liability incl. employer s contribution at 31 Dec.	246	228
224	226	Net pension liabilities at 1 Jan.	228	226
112	125	Pension cost recognised in income statement	126	114
-110	-106	Premium payments (excl. administrative expenses)	-107	-112
226	245	Net capitalised pension liability incl. employer s contr. at 31 Dec.	247	228
-	-	Capitalised pension assets at 31 December	-	-
226	245	Capitalised pension liabilities at 31 December	247	228



Unsecured pension liabilities

PARENT COMPANY			GROUP	
2008	2009	Defined-benefit schemes	2009	2008
Unsec.	Unsec.	(Amounts in NOK million)	Unsec.	Unsec.
Change in gross pension liability				
169	176	Gross pension liability at 1 Jan.	176	170
11	13	Present value of the year's pension contributions	13	11
8	7	Interest cost of pension liability	7	8
3	11	Actuarial gains and losses	11	5
-15	-15	Pensions/paid-up policies paid out	-15	-18
176	192	Gross pension liability at 31 December	192	176
-	-	Fair value of pension assets at 31 Dec.	-	-
176	192	Net pension liability at 31 December	192	176
-60	-68	Estimate variances not recognised in inc.statem.	-69	-62
116	124	Net capitalised pension liability incl. emp. contrib. at 31 Dec.	123	114
Net pension liability at 1 Jan.				
107	116	Net pension liability at 1 Jan.	114	108
24	23	Pension cost recognised in income statement	24	24
-15	-15	Pensions/paid-up policies paid out	-15	-18
116	124	Net capitalised pension liability incl. emp. contrib. at 31 Dec.	123	114
-	-	Capitalised pension liabilities at 31 Dec.	-	-
116	124	Capitalised pension liabilities at 31 Dec.	123	114

Total liabilities, assets and estimate variances for the last four years

PARENT COMPANY	2009	2008	2007	2006
Gross defined-benefit pension liability at 31 Dec.	1 657	1 595	1 356	1 258
Fair value of pension assets at 31 Dec.	877	762	653	583
Net defined-benefit pension liability	780	833	703	674
Estimate variances not recognised in inc. statement	-411	-491	-372	-362
Book pension liability	369	342	331	312
GROUP				
Gross defined-benefit pension liability at 31 Dec.	1 670	1 608	1 370	1 272
Fair value of pension assets at 31 Dec.	886	770	661	589
Net defined-benefit pension liability	784	838	709	683
Estimate variances not recognised in inc. statement	-415	-496	-375	-369
Book pension liability	369	342	334	314

Sensitivity analysis

The figures below give an estimate of the potential effect of a change in certain assumptions for defined-benefit pension schemes in Norway for the Statnett Group.

The following estimates and estimated pension costs for 2010 are based on the facts and circumstances at 31 December 2009. Actual results may differ significantly from these estimates.

	Current assumption		Discount rate		Annual wage growth and basic amount (G)		Annual adjustment of pensions	
Change in percentage points			-1 %	+1 %	-1 %	+1 %	-1 %	+1 %

New pension liability and cost (Amounts in NOK million)

PARENT COMPANY

Pension cost before adjustment for interest cost and return on pension assets (SC)	125	163	97	111	142	109	145
Defined-benefit pension liabilities - minimum pension liability (ABO)	1 192	1 428	1 010	1 191	1 194	1 056	1 357
Defined-benefit pension liabilities - present value of pension liability (PBO)	1 560	1 912	1 293	1 458	1 678	1 381	1 775

GROUP

Pension cost before adjustment for interest cost and return on pension assets (SC)	126	165	98	112	143	110	146
Defined-benefit pension liabilities - minimum pension liability (ABO)	1 201	1 438	1 018	1 200	1 203	1 064	1 367
Defined-benefit pension liabilities - present value of pension liability (PBO)	1 571	1 925	1 302	1 468	1 689	1 391	1 787

Risk tables for mortality and disability are based on tables in general use in Norway updated with historical data from the life companies' population. These data entail an adjustment of available tables in the form of increased life expectancy and increased disability probability. The average life expectancy for all age groups in the tables used is 80 years for men and 84 years for women. An extract from these tables is shown below. The table shows life expectancy and probability of disability and death within one year for different age groups.

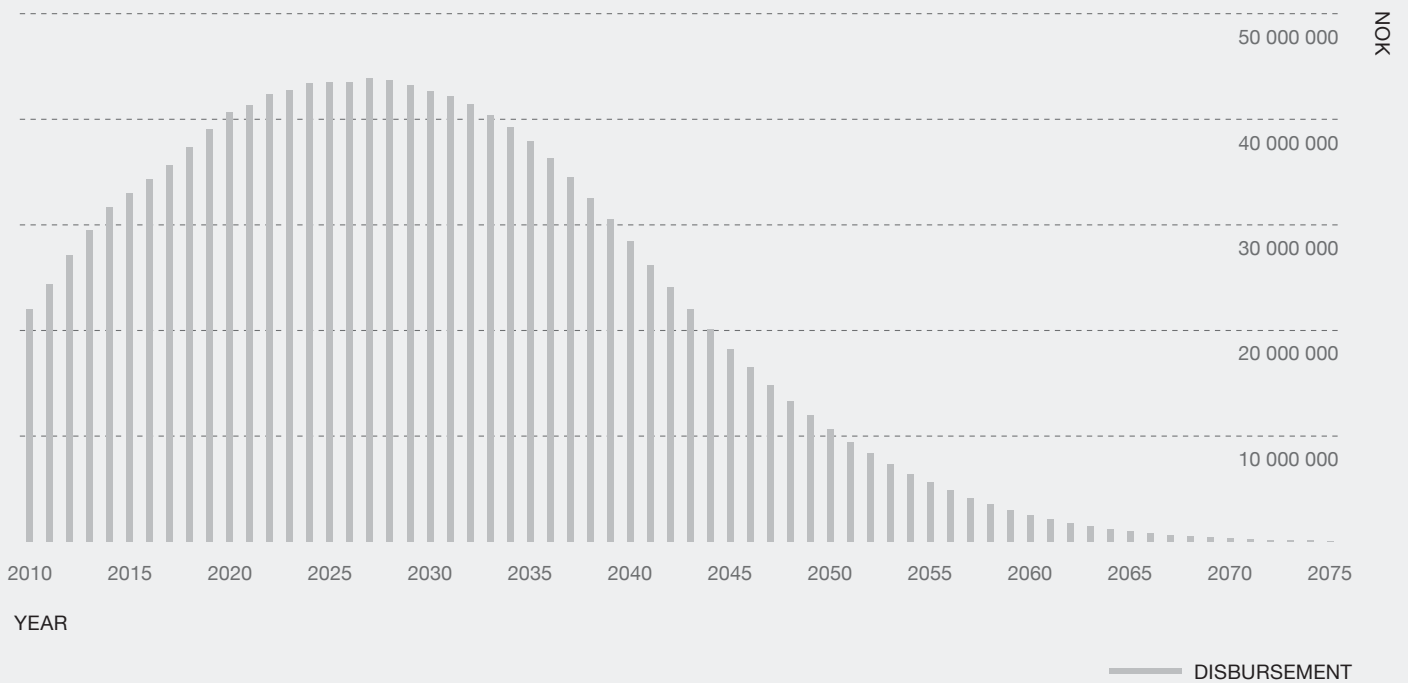
Age	Disability probability		Death probability		Life expectancy	
	Men	Women	Men	Women	Men	Women
20	0.13 %	0.16 %	0.01 %	0.01 %	79	84
40	0.21 %	0.35 %	0.07 %	0.04 %	80	84
60	1.48 %	1.94 %	0.63 %	0.36 %	82	85
80	-	-	5.91 %	3.91 %	87	89



Pension disbursement flow Statnett SF

The average weighted maturity for pension liabilities, related to the main scheme in Statnett SF, is estimated at 20 years based on the pension assumption at 31 December 2009. The choice of discount rate is based on average weighted maturity.

STATNETT SF PBO presented as disbursement flow Current value of future disbursements 31 December 2009



NOTE 7 – TANGIBLE FIXED ASSETS

PARENT COMPANY

(Amounts in NOK million)

	Elektrotech. equipment	ICT equipment	Buildings and land	Other operating equipment	Total
Acquisition cost at 1 Jan. 2008	14 857	755	1 215	390	17 217
Additions, acquisition cost	4 739	68	590	26	5 423
Disposals, acquisition cost	202	4	8	6	220
Acquisition cost at 1 Jan. 2009	19 394	819	1 797	410	22 420
Correction previous year	-30	223	32	-225	0
Additions, acquisition cost	1 288	121	213	32	1 654
Disposals, acquisition cost	51	59	3	7	120
Acquisition cost at 31 Dec. 2009	20 601	1 104	2 039	210	23 954
Ord. depreciation at 1 Jan. 2008	6 389	576	287	138	7 390
Ordinary depreciation for the year	363	108	37	16	524
Disposals, ordinary depreciation	118	4	3	4	129
Ord. depreciation at 1 Jan. 2009	6 634	680	321	150	7 785
Correction previous year	0	41	1	-42	0
Ordinary depreciation for the year	444	97	58	19	618
Disposals, ordinary depreciation	30	56	0	5	91
Ordinary depreciation 31 Dec. 2009	7 048	762	380	122	8 312
Book value at 31 Dec. 2008	12 760	139	1 476	260	14 635
Book value at 31 Dec. 2009	13 553	342	1 659	88	15 642
Of which financial leasing:					
31 Dec. 2008*	248	55	249	-	552
31 Dec. 2009*	242	52	234	-	528
Depreciation rate (straight-line) in %	1.8 - 6.6	5.0 - 33	0 - 2	10 - 33	

* In 2009, NOK 2 million were capitalised in connection with agreement concerning the reserve power generation plants. In 2008, NOK 497 million were capitalised.



GROUP	Elektrotech. equipment	ICT equipment	Buildings and land	Other operating equipment	Total
<i>(Amounts in NOK million)</i>					
Acquisition cost at 1 Jan. 2008	14 857	755	1 215	413	17 240
Additions, acquisition cost	4 739	68	590	239	5 636
Disposals, acquisition cost	202	4	8	6	220
Acquisition cost at 1 Jan. 2009	19 394	819	1 797	646	22 656
Correction previous year	-30	223	32	-225	0
Additions, acquisition cost	1 288	121	213	54	1 676
Disposals, acquisition cost	51	59	3	7	120
Acquisition cost at 31 Dec. 2009	20 601	1 104	2 039	468	24 212
Ord. depreciation at 1 Jan. 2008	6 389	576	287	155	7 407
Ordinary depreciation for the year	363	108	37	20	528
Disposals, ordinary depreciation	118	4	3	4	129
Ord. depreciation at 1 Jan. 2009	6 634	680	321	171	7 806
Correction previous year	0	41	1	-42	0
Ordinary depreciation for the year	444	97	58	28	627
Disposals, ordinary depreciation	30	56	0	5	91
Ordinary depreciation 31 Dec. 2009	7 048	762	380	152	8 342
Book value at 31 Dec. 2008	12 760	139	1 476	475	14 850
Book value at 31 Dec. 2009	13 553	342	1 659	316	15 870
Of which financial leasing:					
31 Dec. 2008*	248	55	249	-	552
31 Dec. 2009*	242	52	234	-	528
Depreciation rate (straight-line) in %	1.8 - 6.6	5.0 - 33	0 - 2	10 - 33	

* In 2009, NOK 2 million were capitalised in connection with agreement concerning the reserve power generation plants. In 2008, NOK 497 million were capitalised.

NOTE 8 – PLANT UNDER CONSTRUCTION

PARENT COMPANY			GROUP	
2008	2009	(Amounts in NOK million)	2009	2008
4433	1 570	Acquisition cost at 1 January	1 570	4 433
2761	1 305	Additions during the year	1 305	2 761
-5 422	-1 699	Transferred to tangible fixed assets	-1 700	-5 622
-	-12	Write-offs	-12	-
-202	-	Sales of plant under construction	-	-
1 570	1 164	Acquisition cost at 31 December	1 163	1 570
-8	-11	Accumulated write-downs	-11	-8
-8	7	Effect, hedged forward exch. contracts	7	-8
1 554	1 160	Balance sheet value at 31 December	1 159	1 554
-	-15	Potential and actual write-downs	-15	-
-	-	Reversed latent write-downs	-	-
-	-15	Write-downs(-)/reversals for the year	-15	-

Write-downs

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

Changes to plans, progress, the design of facilities and uncertainty concerning some projects may cause plant under construction to be written down.

SPECIFICATION OF ADDITIONS DURING THE YEAR:

PARENT COMPANY			GROUP	
2008	2009	(Amounts in NOK million)	2009	2008
2 213	828	Materials and subcontractors	828	2 213
137	160	Wages, social security costs	160	137
238	266	Other operating costs	266	238
2 588	1 254	Total operating costs	1 254	2 588
173	51	Interest on construction loans	51	173
2 761	1 305	Total	1 305	2 761

The year's change in inventory is carried as reduction of the respective items in the income statement.



NOTE 9 – OTHER OPERATING COSTS

PARENT COMPANY		<i>(Amounts in NOK million)</i>	GROUP	
2008	2009		2009	2008
25	34	Lease rental payable	36	26
112	158	Contracted personnel/consultants	161	115
36	44	Insurance	17	19
322	219	Materials and subcontractors	218	319
109	125	Property tax	125	109
53	60	IT costs	60	53
159	237	Miscellaneous	233	162
816	877	Total other operating costs	850	803

Operating lease agreements

PARENT COMPANY		<i>(Amounts in NOK million)</i>	GROUP	
2008	2009		2009	2008
11	19	Buildings	21	12
10	11	Contracted communication	11	10
4	4	Miscellaneous	4	4
25	34	Total lease rentals payable	36	26

Statnett has no major non-terminable operating lease agreements falling due later than one year.

NOTE 10 – FINANCIAL ITEMS

Financial risk

The object of Statnett SF's financial policy is to ensure that the enterprise achieves the necessary financing of planned operational and investment programmes at the lowest possible cost, risk taken into account. Statnett SF's financial policy also comprises aims and framework for minimising the enterprise's credit risk, interest rate risk and foreign exchange risk. Statnett SF uses financial derivatives to control the financial risk.

Statnett SF's asset management is performed in accordance with defined parameters. The funds shall be easily accessible and are therefore invested in easily tradable securities and assets with low credit risk, minimum rated BBB+.

Fair value

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

Under IFRS7 there is a requirement to disclose the fair value of financial assets and long-term liabilities accounted for at amortised cost. Fair value is calculated by:

- using quoted market prices,
- using interest rate terms for liabilities with a corresponding maturity and credit risk, or
- using the present value of estimated cash flows discounted by the interest rate that applies to corresponding liabilities and assets on the balance sheet date.

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

PARENT COMPANY

<i>(Amounts in NOK million)</i>	Category	2009		2008	
		Book value	Fair value	Book value	Fair value
ASSETS					
Fixed assets					
Long-term receivables	Amortised cost	203	206	192	196
Subord. capital in Pension Fund	Fair value	15	15	15	15
Financial assets available for sale	Financial assets available for sale	4	4	4	4
Derivatives	Fair value	554	554	1 565	1 565
Total fixed asset investment		776	779	1 776	1 780
Current assets					
Trade accounts receivable	Loans and receivables	250	250	289	289
Derivatives	Fair value	65	65	8	8
Other short-term receivables	Loans and receivables	287	287	311	311
Total trade accounts and other short-term receivables		602	602	608	608
Investment in market-based securities	Fair value	307	307	225	225
Liquid assets	Fair value	276	276	512	512
LIABILITIES					
Long-term interest-bearing debt	Amortised cost	10 614	10 621	11 648	11 695
Derivatives	Fair value	30	30	42	42
Total short-term interest-bearing debt		10 644	10 651	11 690	11 737
Short-term interest-bearing debt	Amortised cost	1 660	1 660	650	653
Derivatives	Fair value	36	36	-	-
Total short-term interest bearing debt		1 696	1 696	650	653
Trade accounts payable and other short-term debt	Loans and receivables	972	972	1 436	1 436



GROUP

<i>(Amounts in NOK million)</i>		2009		2008	
Category	Book value	Fair value	Book value	Fair value	
ASSETS					
Fixed assets					
Long-term receivables	Amortised cost	50	53	50	55
Subord. capital in Pension Fund	Fair value	15	15	15	15
Financial assets available for sale	Financial assets available for sale	4	4	4	4
Derivatives	Fair value	554	554	1 565	1 565
Total fixed asset investment		623	626	1 634	1 639
Current assets					
Trade accounts receivable	Loans and receivables	272	272	252	252
Derivatives	Fair value	65	65	8	8
Other short-term receivables	Loans and receivables	251	251	315	315
Total trade accounts and other short-term receivables		588	588	575	575
Investment in market-based securities	Fair value	554	554	439	439
Liquid assets	Fair value	342	342	556	556
LIABILITIES					
Long-term interest-bearing debt	Amortised cost	10 614	10 621	11 648	11 695
Derivatives	Fair value	30	30	42	42
Total long-term interest-bearing debt		10 644	10 651	11 690	11 737
Short-term interest-bearing debt	Amortised cost	1 660	1 660	650	650
Derivatives	Fair value	36	36	-	-
Total short-term interest bearing debt		1 696	1 696	650	653
Trade accounts payable and other short-term debt	Amortised cost	977	977	1 438	1 438

The table below shows financial instruments recognised at fair value according to the valuation method.

At 31 December 2009	Level 1	Level 2	Level 3	Total
PARENT COMPANY				
<i>(Amounts in NOK million)</i>				
Assets				
Subord. capital in Pension Fund	-	-	15	15
Financial assets available for sale	-	-	4	4
Derivatives	-	619	-	619
Investment in market-based securities	307	-	-	307
Liquid assets	276	-	-	276
Total assets	583	619	19	1 221
LIABILITIES				
Derivatives	-	66	-	66
Total liabilities	-	66	-	66
GROUP				
<i>(Amounts in NOK million)</i>				
Assets				
Subord. capital in Pension Fund	-	-	15	15
Financial assets available for sale	-	-	4	4
Derivatives	-	619	-	619
Investment in market-based securities	554	-	-	554
Liquid assets	342	-	-	342
Total assets	896	619	19	1 534
LIABILITIES				
Derivatives	-	66	-	66
Total liabilities	-	66	-	66

Level 1: Fair value is used for quoted prices from active markets for identical financial instruments.

No adjustments are made with regard to these prices.

Level 2: Fair value is measured using other observable input than for Level 1, either direct (prices) or indirect (derived from prices).

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



FINANCIAL INCOME AND FINANCIAL COSTS

PARENT COMPANY			GROUP	
2008	2009	(Amounts in NOK million)	2009	2008
Financial income				
67	49	Interest received	52	72
8	-	Dividend from subsidiaries	-	-
41	1 129	Dividend from associates	-	-
-	9	Change in value of derivatives	9	-
53	23	Other financial income	57	60
169	1 210	Total financial income	118	132
Financial costs				
599	427	Interest costs financial liabilities measured at amortised cost	427	600
45	-	Change in value of derivatives	-	45
-173	-51	Capitalised construction loan interest	-51	-173
40	24	Other financial costs	31	74
511	400	Total financial costs	407	546

Age distribution trade accounts (Amounts in NOK million)

	Not due	1-30 days	31-60 days	61-90 days	Over 90 days	Total trade acct rcvbl
Parent company	243	4	2	1	0	250
Group	244	9	1	1	17	272

No provision has been made for losses on claims.

INTEREST-BEARING ASSETS AND LIABILITIES

Repayment profile for interest-bearing debt for the Parent Company

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

Maturity date (Amounts in NOK million)	2010	2011	2012	2013	2014-	Sum
Fixed-rate loans						
Bond loans	910	726	1 457	-	5 477	8 570
Total fixed-rate loans	910	726	1 457	-	5 477	8 570
Floating rate loans						
Certificate loans	750	-	-	-	-	750
Bond loans	-	-	499	-	561	1 061
Loans from financial institutions	-	-	92	92	1 709	1 893
Total floating rate loans	750	-	591	92	2 270	3 703
Total short-term debt	1 660	-	-	-	-	1 660
Total long-term debt	-	726	2 048	92	7 747	10 614
Total interest-bearing debt	1 660	726	2 048	92	7 747	12 273

Government-guaranteed loans

Loans raised by Statnett SF prior to 31 December 2002 are backed by a Norwegian government guarantee and are guaranteed until the loans mature. Loans raised after 1 January 2003 are not government-guaranteed. Statnett SF pays a guarantee premium to the government for guaranteed loans. The guarantee premium is calculated individually for each loan. The balance of government-guaranteed loans at 31 December 2009 was NOK 87 million.

Loans by currency at 31 Dec. 09	Average interest rate ¹⁾	Loan amounts in currency	Loan amounts in NOK
Valuta (Amounts in NOK million)			
NOK	3,05 %	6 956	6 956
JPY	2,68 %	10 000	656
CHF	2,75 %	775	4 499
SEK	2,31 %	200	162
Total			12 273

¹⁾ All foreign currency loans are converted to NOK using currency and interest swap agreements.

The average interest rate for the loans includes interest swap agreements. The interest is the average interest rate at 31 Dec.09

Fixed-rate terms in the loan portfolio
(Amounts in NOK million)

	2010	2011	2012	2013	2014-	Total
	10 369	-	-	-	1 904	12 273

Tabellen ovenfor viser når lånene har sin neste rentejustering. Alle valuta-/rentebytteavtaler som knytter seg til lånene er hensyntatt.

PARENT COMPANY			GROUP	
Acquisition- cost	Book value	(Amounts in NOK million)	Acquisition- cost	Book value
MARKET-BASED SECURITIES				
-	-	Time deposit bank	10	10
-	-	Total time deposits	10	10
6	5	Government	16	16
25	25	Municipals/municipal operations	40	40
157	162	Financial institutions, incl. bank	232	241
112	114	Private/industry	159	162
300	307	Total bonds	448	459
-	-	Norwegian equities funds	24	43
-	-	Foreign equities funds	36	42
-	-	Total equities funds	61	85
300	307	Total market-based securities	518	554

All bonds are stated at nominal value in Norwegian Kroner (NOK)



Liquidity risk

Statnett SF aims to be able to carry out 12 months of operations, investments and refinancing without raising any new debt. This will make Statnett less vulnerable during periods of low access to capital in the financial markets and periods with less favourable borrowing conditions. Statnett has a credit facility of NOK 2.0 billion which runs until 2012. This helps Statnett to obtain sufficient financial flexibility to execute the enterprise's investment programme over the next few years.

Statnett has a high credit rating. Standard & Poor's and Moody's Investor Service have given Statnett SF credit ratings for long-term borrowings of A+ and A2 respectively.

The table below shows all gross cash flows related to financial liabilities.

The cash flows have not been discounted and are based on interest rates and exchange rates as at 31 Dec.09.

PARENT COMPANY

At 31 December 2009	Under 1 yr	1 to 5 yrs	5 yrs+	Total
Interest-bearing debt and interest rate payments	1 975	5 077	7 066	14 118
Other liabilities	-	-	-	-
Trade accounts payable and other short-term debt	972	-	-	972
Derivatives	1 235	2 911	2 203	6 349
Total	4 182	7 988	9 269	21 439

Derivatives	Under 1 yr	1 to 5 yrs	5 yrs+	Total
Received	1 290	3 239	2 678	7 207
Disbursed	-1 236	-2 911	-2 203	-6 350
Net derivatives	54	328	475	857

GROUP

At 31 December 2009	Under 1 yr	1 to 5 yrs	5 yrs+	Total
Interest-bearing debt and interest rate payments	1 975	5 077	7 066	14 118
Other liabilities	-	7	-	7
Trade accounts payable and other short-term debt	977	-	-	977
Derivatives	1 235	2 911	2 203	6 349
Total	4 187	7 995	9 269	21 451

Derivatives	Under 1 yr	1 to 5 yrs	5 yrs+	Total
Received	1 290	3 239	2 678	7 207
Disbursed	-1 236	-2 911	-2 203	-6 350
Net derivatives	54	328	475	857

Credit risk

Statnett SF is exposed to credit risk through the investment of surplus liquidity with issuers of securities and by the use of various interest rate and currency derivatives. In order to limit this risk, Statnett has set parameters based on the creditworthiness of counterparties and the maximum exposure for each counterparty. Creditworthiness is assessed at regular intervals, and the counterparty risk is continually monitored to ensure that Statnett's exposure does not exceed the set credit limits and is in compliance with internal rules.

Maximum credit exposure

PARENT COMPANY		<i>(Amounts in NOK million)</i>	GROUP	
2008	2009		2009	2008
512	276	Liquid assets	342	556
225	307	Bonds and certificates	458	390
1529	617	Derivatives	617	1 529
192	203	Long-term receivables	50	50
579	529	Trade accounts and other short-term receivables*	511	546

*Losses on trade accounts are included in the cost base when estimating the revenue cap. Any losses on trade accounts will thus be compensated (fully or partially) for through the subsequent years' revenue caps.

Foreign exchange risk

Foreign exchange risk is the risk that fluctuations in exchange rates will result in changes in Statnett's income statement and balance sheet. To minimise foreign exchange risk, all foreign currency loans are converted to Norwegian Kroner (NOK) using currency swaps. The liabilities undertaken by Statnett in foreign currencies in connection with investment projects are hedged using currency swaps.

At 31 December 2009, unsecured bank deposits in foreign currencies totalled NOK 68 million for the parent company and the Group, and foreign equity funds totalled NOK 31 million for the Group.

Exchange rate sensitivity

PARENT COMPANY		Effect on result of change in NOK exch. rate <i>(Amounts in NOK million)</i>	GROUP	
2008	2009		2009	2008
-2	-3	+5 %	-5	-3
2	3	-5 %	5	3

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

Interest rate risk

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

In order to reduce the interest rate risk and minimise fluctuations in profit and loss, the interest rate on Statnett's debt must correlate as much as possible with the NVE interest rate. The NVE interest rate is calculated on the basis of daily averages of the effective interest rate on 5-year Norwegian government bonds. To achieve the desired fixed-interest period on the enterprise's debt, interest swap agreements that are linked to the underlying debt are used.

Exchange rate sensitivity

The following table shows the sensitivity of the parent company and the Group to potential changes in interest rate levels. The calculation takes account of all interest-bearing instruments and associated interest rate derivatives.

PARENT COMPANY		Effect on result of change in interest rate levels <i>(Amounts in NOK million)</i>	GROUP	
2008	2009		2009	2008
5	-6	+1 %	-9	3
-5	6	-1 %	9	-3



Average effective interest rate/return

The table below shows the average effective interest rate for the individual financial instruments for the full years 2008 and 2009.

PARENT COMPANY			GROUP	
2008	2009		2009	2008
7.15 %	5.78 %	(Figures as a percentage)		
		Bonds and certificates	5.45 %	7.52 %
5.76 %	2.47 %	Deposits	2.46 %	5.78 %
-	-	Shares and equities funds	43.63 %	-43.31 %
6.00 %	3.69 %	Loans	3.69 %	6.00 %

DERIVATIVES

Interest rate and currency swaps

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

All interest rate and currency swaps are related to underlying loans. Any loss/gain on the swap will therefore be equal to the gain/loss on the loan.

Maturity (Amounts in NOK million)	Principal Lending	Principal Borrowing	Market value*	Interest rate terms Statnett receives	Interest rate terms Statnett pays
Free-standing**					
2010	NOK 250	NOK 250	-3	Nibor 6 months	Fixed rate
2010	NOK 250	NOK 250	-2	Nibor 6 months	Fixed rate
2010	NOK 282	NOK 282	-1	Nibor 6 months	Fixed rate
2010	NOK 87	NOK 87	-1	Nibor 6 months	Fixed rate
2015	NOK 200	NOK 200	8	Fixed rate	Nibor 6 months
2015	NOK 200	NOK 200	2	Nibor 6 months	Fixed rate
Total			3		
Cash flow					
2014	NOK 200	NOK 200	0	Nibor 6 months	Fixed rate
2014	NOK 200	NOK 200	1	Nibor 6 months	Fixed rate
Total			1		
Fair value hedging					
2010	JPY 1000	NOK 87	-23	Fixed rate JPY	Nibor 6 months
2010	CHF 150	NOK 782	65	Fixed rate CHF	Nibor 6 months
2011	CHF 125	NOK 688	38	Fixed rate CHF	Nibor 6 months
2012	CHF 250	NOK 1245	212	Fixed rate CHF	Nibor 6 months
2014	NOK 300	NOK 300	-4	Fixed rate	Nibor 6 months
2014	JPY 5000	NOK 296	32	Fixed rate JPY	Nibor 6 months
2015	NOK 50	NOK 50	1	Fixed rate	Nibor 6 months
2017	CHF 250	NOK 1290	179	Fixed rate CHF	Nibor 6 months
2019	JPY 4000	NOK 201	63	Fixed rate JPY	Nibor 6 months
2020	NOK 300	NOK 300	16	Fixed rate	Nibor 6 months
2020	NOK 60	NOK 60	-4	Fixed rate	Nibor 6 months
2021	SEK 200	NOK 180	-18	SEK Stibor 3 mths	Nibor 6 months
2023	NOK 600	NOK 600	1	Fixed rate	Nibor 6 months
2025	NOK 600	NOK 600	-2	Fixed rate	Nibor 6 months
Total			556		

* Market value is not inclusive of accrued interest. In the case of combined interest rate and currency swaps, the unrealised currency effect is included in the market value.

** All free-standing derivatives are related to underlying loans, but hedge accounting is not used.

At 31 December 2009, Statnett had no interest rate swaps with start in the future.

Interest rate options

Statnett had no interest rate options at 31 December 2009.

Forward exchange contracts

Forward exchange contracts are entered into to hedge the currency risk on transactions in currencies other than NOK.

Currency <i>(In NOK million)</i>	Nominal amount in currency	Nominal amount in NOK	Average hedge rate	Market rate*	Market value
SEK	240	205	0.85	0.82	-7
Total forward exchange contracts		205			-7

*The market rate is the average forward rate.

All contracts relate to capital expenditure on plants in foreign currency. Unrealised gains/losses on forward exchange contracts reduce/increase the cost price of the investments upon disposal.

Changes in the value of cash flow hedges

PARENT COMPANY		<i>(Amounts in NOK million)</i>	GROUP	
2008	2009		2009	2008
31	-7	Fair value of cash flow hedges OB	-7	31
-38	8	Value changes through the year*	8	-38
-7	1	Fair value of cash flow hedges CB	1	-7

* The value changes are pre-tax and recognised in the Statement of comprehensive income under Other comprehensive income.

NOTE 11 – TAXATION

PARENT COMPANY		<i>(Amounts in NOK million)</i>	GROUP	
2008	2009		2009	2008
		TAX ON RESULT		
-	-	Tax payable	-	2
-	-6	Tax payable received as result of Government stimulus package	-11	-
-	6	Change in deferred tax benefit as a result of Government stimulus package	11	-
227	199	Change in deferred tax/tax benefit	-188	223
227	199	Tax charge	-188	225
-	-	Tax payable for the year	-	2
-	-	Tax payable	-	2
227	-199	Deferred tax/tax benefit as a result of changes in temporary differences	-188	223
26 %	-53 %	Effective tax rate	28 %	13 %



PARENT COMPANY		Reconciliation of effective tax rate with Norwegian tax rate	GROUP	
2008	2009		2009	2008
857	375	Profit/loss before tax	-668	1 742
240	105	28% tax	-187	488
-13	-304	Permanent differences 28%	6	6
-	-	Share of profit/loss in joint ventures and associates	-7	-269
227	-199	Tax charge	-188	225
DEFERRED TAX(-)/TAX ASSETS IN THE BALANCE SHEET				
-214	-315	Fixed assets	-327	-220
30	32	Profit and loss account	31	28
-	-12	Receivables	-1	8
-120	-	Higher/lower revenue*	-	-120
-	-	Technical provisions (insurance)	-53	-49
96	103	Pensions	103	96
-2	-2	Securities and financial instruments (excl. cash flow hedges)	-1	-1
2	-	Cash flow hedges	-	2
-	18	Other tax-related provisions	18	-
35	194	Tax loss carry-forward	199	44
-173	18	Total deferred tax(-)/tax assets (net)	-31	-212*

* Higher/lower revenue does not qualify for capitalisation according to the IFRS Framework
 Prior to 2009 higher revenue was included in the basis for temporary differences.
 From and including 2009, higher/lower revenue must be taxed according to the ordinary accrual principle.

The Norwegian government has introduced a temporary scheme permitting limited companies and similar organisations to carry back a tax loss for the income years 2008 and 2009 against taxable income in the two previous years. The tax loss for the income years 2009 and 2008 can thus be carried back and deducted from the income years 2006 and 2007.

Undertakings with a loss in 2008 and/or 2009 will be paid the tax value of the loss (28%) at the tax settlement in the autumns of 2009 and 2010. The deduction is given automatically, without any claim from the undertakings.

For each of the income years, there is a limit of NOK 20 million for losses that can be carried back. This means that every company with a tax loss carry-forward can be paid up to NOK 5.6 million for the years 2008 and 2009.

Under IAS 12 Income Taxes and IAS 10 Events after the Balance Sheet Date, changes in tax laws after the balance sheet date cannot affect the accounting. IAS 12.47 states that deferred taxes should be measured at the tax rates which are expected to apply to the period when the asset is realised or the liability settled, based on the tax rates (and tax rules) that have been enacted or substantively enacted at the balance sheet date.

The authorities' scheme does not satisfy these requirements and the change in tax legislation is not reflected in the financial statement.

Statnett SF and Statnett Transport AS both had a tax loss carry-forward in 2008 exceeding NOK 20 million. This meant that both companies were paid NOK 5.6 million at the tax settlement in the autumn of 2009. The payment caused the tax loss carry-forward in the Parent Company and the Group to decrease by, respectively, NOK 20 and 40 million at the disbursement in the autumn of 2009.

For 2009, Statnett SF had a tax loss exceeding NOK 20 million.

PARENT

Changes in temporary differences	31.12.2008	Recognised	Other compre- hensive income	Carried against EQ	31.12.2009
Fixed assets	764	361	-	-	1 125
Profit and loss account	-104	-11	-	-	-115
Receivables	-	42	-	-	42
Higher/lower revenue	427	-427	-	-	-
Pensions	-342	-27	-	-	-369
Securities and financial instruments (excl. cash flow hedges)	7	-	-	-	7
Cash flow hedges	-7	-	8	-	1
Other provisions	-1	-62	-	-	-63
Tax loss carry-forward	-125	-567	-	-	-692
Total	619	-691	8	-	-64

GROUP

Changes in temporary differences	31.12.2008	Recognised	Other compre- hensive income	Carried against EQ	31.12.2009
Fixed assets	787	382	-	-	1 169
Profit and loss account	-100	-12	-	-	-112
Receivables	-28	32	-	-	4
Higher/lower revenue	427	-427	-	-	-
Technical provisions (insurance)*	177	38	-	-26	189
Pensions	-342	-27	-	-	-369
Securities and financial instruments (e.g. cash flow hedges)	3	-1	-	-	2
Cash flow hedges	-7	-	8	-	1
Other provisions	-1	-62	-	-	-63
Tax loss carry-forward	-156	-554	-	-	-710
Total	760	-631	8	-26	111

* Change in accounting principles pursuant to the new regulations relating to preparation of annual reports and accounts for insurance companies



NOTE 12 – INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Statnett SF had the following investments at 31 December 2009:

Company (Amounts in NOK thousand)	Type	Year of acquisition	Registered office	Ownership interest	Voting rights	Book value
Subsidiaries						
Statnett Transport AS	Subsidiary	1996	Oslo	100.0 %	100.0 %	79 221
Statnett Forsikring AS	Subsidiary	1998	Oslo	100.0 %	100.0 %	30 200
Total subsidiaries						109 421
Joint ventures						
Nord Pool ASA	Jointly controlled	1992	Bærum	50.0 %	50.0 %	102 190
Associates						
Nord Pool Spot AS	Associate	2002/2008	Bærum	30.0 %	30.0 %	36 320
Total interests in subsidiaries, joint ventures and associates						247 931

There is no change in investments from 31 Dec. 2008

Group value of companies recorded according to the equity method

(amounts in NOK thousand)	Group value 1 Jan.	Result for the year	Dividend	Other changes	Group value 31. Dec.
2009					
Nord Pool ASA, 50 %	1 267 500	20 801	-1 129 000	-	159 301
Nord Pool Spot AS, 30 %	43 595	3 065	-	-	46 660
Total joint ventures and associates	1 311 095	23 866	-1 129 000	-	205 961
2008					
Nord Pool ASA, 50 %	489 794	955 958	-36 000	-142 252	1 267 500
Nord Pool Spot AS, 30 %	29 928	6 169	-5 040	12 538	43 595
Total joint ventures and associates	519 722	962 127	-41 040	-129 714	1 311 095

Explanation relating to other changes in 2008:

In connection with Nord Pool ASA's sale of EEX shares in 2008, the change in value was previously recognised directly against equity carried back, and total gains recognised in the income statement.

Statnett SF received a 10% stake in Nord Pool Spot AS as dividend from Nord Pool ASA.

Other changes mainly relate to the transfer of group assets from Nord Pool ASA to Nord Pool Spot AS.

Summary of financial information on associates in accordance with IFRS

Company <i>(amounts in NOK thousand)</i>	Assets	Liabilities	Equity	Operating revenue	Profit after tax
Nord Pool Spot Group 100%, at 31 Dec.09	2 427 102	2 270 497	156 605	107 768	10 217

Financial information on joint ventures according to IFRS**Nord Pool ASA Group 100%, at 31 Dec. 09**
(amounts in NOK thousands)

	2009	2008
Assets		
Current assets	374 666	1 785 196
Fixed assets	103 646	939 976
Liabilities		
Short-term liabilities	-50 712	-73 470
Long-term liabilities	-109 314	-117 193
Net assets	318 286	2 534 509
Operating revenues	105 950	365 262
Operating costs	-83 130	-270 041
Net financial items	25 862	1 945 473
Profit before tax	48 682	2 040 694
Tax	-7 080	-59 850
Profit after tax	41 602	1 980 844

Investments in joint ventures and associates are recognised in the financial statements using the equity method.

There have been no transactions relating to investments in subsidiaries, joint ventures or associates in 2009.

Purchase and sale options relating to Nord Pool ASA

NASDAQ OMX has an option to purchase the remaining commercial operations or the shares in Nord Pool ASA for NOK 80 million. The option can only be exercised if Nord Pool ASA or its owner decides to sell the rest of the business. The option does not include Nord Pool Spot AS. The option will lapse if OMX or Nord Pool International AS sells the shares in Nord Pool Clearing ASA, Nord Pool Consulting AS or Nord Pool International AS to other owners.

Nord Pool ASA or the company's owners have an option to sell the remaining commercial operations or the shares in Nord Pool ASA for NOK 80 million. The sales price shall be adjusted for any dividend, with certain exceptions.

Sale transactions in Nord Pool ASA in 2008

Nord Pool ASA sold its clearing and consultancy operations, as well as the international derivative products to NASDAQ OMX for just over NOK 2 billion.

NASDAQ OMX purchased 100 per cent of the shares in Nord Pool ASA's subsidiaries Nord Pool Clearing ASA and Nord Pool Consulting AS, in addition to a new subsidiary which took over Nord Pool's international product folio, including CO2 products (EUAs and CERs) and international power contracts. The transaction was carried out in October 2008.



NADAQ OMX is obliged to pay further compensation if the traded volume exceeds certain criteria over a five-year period.

Nord Pool Spot AS, which is responsible for the physical market in the Nordic region, was not included in this transaction.

In June 2008, Nord Pool ASA sold its 17.39 per cent ownership in the power exchange European Energy Exchange AG (EEX) to Eurex, for EUR 46 million.

Allotment of shares in Nord Pool Spot AS in 2008

Nord Pool ASA disbursed a dividend to its owners, Statnett SF and Svenska Kraftnät, in the form of its 20 per cent shareholding in Nord Pool Spot AS, with effect from the 2nd quarter of 2008. This increased Statnett’s direct interest in Nord Pool Spot AS from 20 per cent to 30 per cent. The dividend was recognised as revenue at fair value at the date of the allotment, and totals NOK 36 million for Statnett SF.

NOTE 13 – RELATED PARTIES

At 31 December 2009, Statnett SF was wholly-owned by the Norwegian State through the Ministry of Petroleum and Energy (OED). Statnett has the following relations with the OED:

Regulatory authority

The Norwegian parliament (Storting) is the legislative authority that passes legislation based on bills put forward by the government. Regulations are passed by the King in Council. The OED administers its part of this, and delegates, for example, the administration of the greater part of the Energy Act to the Norwegian Water Resources and Energy Directorate (NVE). Pursuant to the Norwegian Public Administration Act, any administrative decision made by the NVE can be appealed to the superior authority, the OED.

Loans

OED is the guarantor for loans raised prior to 1 January 2003. See Note 10.

Other related parties:

Parent	Subsidiary	Associate	Joint
Statnett SF	Statnett Transport AS Statnett Forsikring AS	Nord Pool Spot AS	Nord Pool ASA Konsern

All subsidiaries are wholly-owned by Statnett SF.

Nord Pool ASA is owned 50:50 by Statnett and Affärsverket Svenska Kraftnät of Sweden.

Statnett has a direct interest in Nord Pool Spot of 30 per cent. Other Nord Pool companies are owned through Statnett’s interest in Nord Pool ASA.

Statnett Transport AS owns all the shares in Statnett Elektron AS and Statnett Transport Bemanning AS. Statnett Transport AS and Statnett Elektron AS merged on 1 January 2010.

Related party transactions

The Statnett Group has carried out a number of different transactions with related parties. All transactions were made as part of the normal commercial operations and at current market prices. The most important transactions were as follows:

Statnett Forsikring AS is licensed to provide cover for risks associated with companies in the Statnett Group, and operates both as a direct non-life insurance company and as a reinsurer of Statnett’s risks covered by other insurers. For 2009, Statnett SF paid premiums totalling NOK 37 million, while the amount for the Group was NOK 38 million, which is at the same level as for the 2008 fiscal year.

Statnett Transport AS operates a heavy transport business on land and sea, and sold transport services to Statnett SF for NOK 40 million in 2009, which is at the same level as for the 2008 fiscal year.

Statnett SF had a long-term receivable of NOK 156 million on Statnett Transport AS at 31 December 2009. The receivable arose in connection with the transfer of the vessel Elektron to its own separate company. The vessel was sold by Statnett SF to Statnett Elektron for NOK 203 million and was paid for in shares and a convertible loan. To achieve the desired group structure, the shares and the convertible loan Statnett SF had in Statnett Elektron AS after the transaction were then sold to Statnett Transport AS for NOK 203 million. The transactions were executed on 26 June 2008.

On 30 October 2008, NOK 60.9 million of the debt of NOK 203 million was converted to equity in Statnett Transport AS. Following the conversion, the long-term receivable amounts to NOK 142 million. Under the sales agreement, the interest rate on the claim is calculated at NIBOR + 1 per cent. Interest falls due on demand. Statnett Transport AS paid no interest in 2008 and 2009, and accrued interest at 31 December 2009 totalled NOK 14 million.

Statnett SF has provided a long-term loan of NOK 50 million to Nord Pool ASA. The loan to Nord Pool ASA was made in the amount of NOK 50 million from each of the company's two owners, and takes priority after all other debt. The loan was disbursed in February 2002 and is an interest-only loan until it matures in its entirety after 10 years. The borrower has the right to extend the term of the loan by a further five years, after which the borrower, with the prior approval of the Financial Supervisory Authority of Norway, has the right to redeem the loan in part or in whole. The loan has a fixed interest rate of 6.25 per cent per annum and interest paid amounts to NOK 3.1 million per annum. The lending terms were based on market terms at the date on which the loan agreement was entered into.

Statnett SF purchases transmission losses at Nord Pool Spot on a daily basis. The purchase and sale of energy at Nord Pool Spot is settled at the power exchange's market prices, and is executed in accordance with the arm's length principle.

In 2009, Statnett SF received dividends totalling NOK 1 129 million, which can be attributed in their entirety to Nord Pool ASA. In 2008, Statnett SF received dividends totalling NOK 7.6 million from Statnett Forsikring AS, NOK 36 million from Nord Pool ASA, and NOK 5 million from Nord Pool Spot AS. The dividend from Nord Pool ASA was in the form of an allotment of shares in Nord Pool Spot AS. For further details, see Note 12.

Statnett SF carries out certain administrative tasks for Statnett Transport and Statnett Forsikring. The salary of the General Manager of Statnett Forsikring is paid by Statnett SF but then charged to the subsidiary. For 2009, Statnett SF has charged Statnett Transport AS NOK 1.5 million and Statnett Forsikring AS NOK 2 million. The comparative figures for 2008 were NOK 1 million charged to Statnett Transport and NOK 2 million to Statnett Forsikring.

Joint venture partners

TenneT TSO BV and Statnett SF have laid a subsea cable to transport energy between Norway and the Netherlands, known as the NorNed cable. Each party owns its physical half of the cable, with Statnett owning the northern part and TenneT the southern part. The NorNed cable became operational in May 2008. Costs and revenues from the operation of the NorNed cable are shared equally between TenneT and Statnett.

The OED has given its approval for Statnett and TenneT to perform explicit auction as a temporary trading solution for power exchange between Norway and the Netherlands up until 31 December 2010.

For more information on benefits to Group management, see Note 5.

Inter-company accounts

<i>(Amounts in NOK million)</i>	Trade accounts		Long-term lending		Trade accounts	
	2009	2008	2009	2008	2009	2008
Subsidiaries	3	15	156	142	4	9
Joint ventures	3	4	50	50	-	-
Total	6	19	206	192	4	9



NOTE 14 – EVENTS AFTER THE BALANCE SHEET DATE

Changes to the regulations for contractual early retirement pension (AFP)

On 19 February 2010, the Norwegian parliament adopted an Act relating to government grants for employees who receive a contractual early retirement pension in the private sector (the AFP Government Grant Act). The Act will enter into force on 1 January 2011.

The Contractual Early Retirement Pension Scheme (AFP) as we know it is an early retirement scheme awarded for the age group 62–67. A new AFP scheme has been proposed which would entail a life addition to the flexible retirement pension. The annual pension will be higher the later in life the pension is drawn. Moreover, it will be possible to combine the new AFP with income from employment without the pension being reduced. The new AFP act will apply to everyone born in 1944 or later who draw early retirement according to the AFP scheme from 2011, with transitional rules for those born between 1944 and 1947.

Effect on accounting procedures

From an accounting point of view, the new AFP scheme is considered to be a new defined benefit pension scheme and not an amendment to the existing scheme.

The pension liabilities will be measured again at the time of adoption of the amendment to the Act, on 19 February 2010, for employees who will not be entitled to receive a pension according to the old scheme, and gains and losses will be recorded in the financial statements.

For employees born after 1949, the accounting effects of the transition from the old to the new AFP scheme will be included in the first quarter of 2010. For employees born in 1944 up to and including 1948, the transition to the new scheme will not be recorded in the financial statements until the fourth quarter of 2010.

Exercise of sale option relating to shares in Nord Pool ASA

Statnett and Svenska Kraftnät have decided to exercise their sale option whereby the sale of shares in Nord Pool ASA will be sold to Nasdaq OMX for NOK 80 million. The transaction is scheduled for completion in May 2010, contingent on approval by the Ministry of Finance. For further details see Note 12.

Other circumstances

We are not aware of any other circumstances occurring after the balance sheet date that may be of significance for the evaluation of the financial statements.

NOTE 15 – SECURED DEBT, GUARANTEES

The parent company may not pledge the enterprise's assets, apart from providing security to financial institutions in connection with day-to-day banking transactions, and providing the customary security as part of the day-to-day operations.

The parent company has provided a third-party guarantee of SEK 10 million on behalf of STRI AB.

NOTE 16 – DISPUTES

From time to time, Statnett is involved in disputes with landowners, customers and others with regard to the interpretation of signed contracts, principles of public law, discretionary assessments and disagreement related to ordinary operations and building of power lines and cable connections. Disputes of this nature are regarded as part of regular operations.

The Oslofjord cable

On 3 March 2009, NVE passed a resolution in connection with the breakdown of the Oslofjord cables, which concluded that Statnett has breached certain regulations. In their letter of 2 December 2009, the NVE concluded that the proven nonconformities in the case have been closed and the order implemented. The NVE emphasises that a decision regarding any penalty fee has not yet been made.

The Ministry of Petroleum and Energy is the appellate authority in the further process.

No provisions related to the Oslofjord cable have been made in the financial statements.

NOTE 17 – COMPARATIVE FIGURES

All amounts in the income statement, balance sheet, cash flow and supplementary information are given showing one year comparative figures.

Below, comparative figures for selected amounts have been cited for three years. As of the 2010 fiscal year, the selected amounts will be cited showing comparative figures for four years.

FROM THE STATEMENT OF COMPREHENSIVE INCOME

Statnett Group	2009	2008	2007	2006
Power transmission	3 722	3 355	3 243	3 122
Higher/lower revenue for the period	-1 033	721	20	-260
Other operating revenue	173	180	152	343
Total operating revenue	2 862	4 256	3 415	3 205
Operating profit/loss	-403	1 194	1 025	308
Income from joint ventures and associates	24	962	58	44
Net financial items	-289	-414	-203	-148
Profit/loss before tax	-668	1 742	880	204
Profit/loss for the year	-480	1 517	651	163

FROM BALANCE SHEET

Statnett Group	2009	2008	2007	2006
Fixed assets	17 858	19 349	14 945	12 386
Current assets	1 484	1 570	1 494	1 552
Total assets	19 342	20 919	16 439	13 938
Equity	5 618	6 585	5 562	4 907
Interest-bearing liabilities	12 340	12 340	9 309	7 752
Other liability items	1 384	1 994	1 568	1 279
Total equity and liabilities	19 342	20 919	16 439	13 938

CASH FLOW STATEMENT

Statnett Group	2009	2008	2007	2006
Net cash flow from operating activities	-466	1 529	1 795	1 059
Net cash flow from investment activities	-140	-2 670	-2 958	-2 134
Net cash flow from financing activities	388	1 221	1 454	1 046
Net cash flow for the period	-218	80	291	-29
Liquid assets	342	556	476	185
Dividend for the year to owner	499	318	152	87

AUDITOR'S REPORT



Statsautoriserte revisorer
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Medlemmer av Den norske Revisorforening

To the General Meeting of
Statnett SF

Auditor's report for 2009

We have audited the annual financial statements of Statnett SF as of 31 December 2009, showing a profit of MNOK 574 for the Parent Company and a loss of MNOK 480 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 the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the balance sheet, the statements of comprehensive income, cash flows and the statement of changes in equity as well as the accompanying notes. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Parent Company and the Group. These financial statements and the Directors' report 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 laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards 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 of the Parent Company and the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2009, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, 25 March 2010

ERNST & YOUNG AS

Tommy Romskaug

State Authorised Public Accountant (Norway)

(sign.)

Note: The translation to English has been prepared for information purposes only.

POWER PRODUCTION SLIGHTLY REDUCED IN 2009

Almost all electricity generated in Norway comes from hydro-electric power plants.

The ability of the hydropower plants to generate electricity varies greatly with the annual amount of precipitation. In years with a lot of rain we can produce far more electricity than we actually consume in Norway, while in dry years we are dependent on importing electricity from neighbouring countries. On the following page we present figures for total electricity generation, potential viable hydro-electric energy and total electricity consumption for the Nordic countries all the way back to 2000. The same figures for Norway are presented all the way back to 1975.



STATISTICS FOR NORWAY 1975–2009



Year	Total generation (TWh)	Potential viable hydro electric energy (TWh)	Total consumption (TWh)	Import (TWh)	Export (TWh)	Net exchange* (TWh)
1975	77.5	126.8	71.9	0.1	5.7	5.6
1976	82.1	109.5	75.5	0.2	6.9	6.6
1977	72.4	100.4	73.5	2.7	1.6	1.1
1978	81.0	107.7	77.6	0.8	4.3	3.4
1979	89.1	117.2	84.5	0.8	5.5	4.7
1980	84.1	95.8	83.6	2.0	2.5	0.5
1981	93.4	121.2	88.2	1.9	7.2	5.2
1982	93.2	113.2	87.1	0.6	6.7	6.1
1983	106.4	140.2	93.0	0.4	13.8	13.4
1984	106.7	122.2	98.4	0.9	9.1	8.3
1985	103.3	108.2	102.7	4.1	4.6	0.5
1986	97.3	111.8	99.3	4.2	2.2	-2.0
1987	104.3	106.7	103.9	3.0	3.3	0.3
1988	110.0	114.1	104.4	1.7	7.4	5.6
1989	119.2	145.7	104.3	0.3	15.2	14.9
1990	121.8	145.8	105.9	0.3	16.2	15.9
1991	111.0	108.9	108.2	3.3	6.0	2.8
1992	117.5	130.3	108.8	1.4	10.1	8.7
1993	120.1	119.2	112.2	0.6	8.5	7.9
1994	113.2	119.9	113.1	4.8	5.0	0.1
1995	123.0	132.1	116.3	2.3	9.0	6.7
1996	104.7	90.2	113.7	13.2	4.2	-9.0
1997	111.4	125.4	115.2	8.7	4.9	-3.8
1998	116.8	119.1	120.4	8.0	4.4	-3.6
1999	122.4	127.2	120.5	6.9	8.8	1.9
2000	142.8	141.0	123.8	1.5	20.5	19.1
2001	121.6	114.3	125.2	10.8	7.2	-3.6
2002	130.5	111.0	120.8	5.3	15.0	9.7
2003	107.2	111.8	115.1	13.5	5.6	-7.9
2004	110.5	120.0	122.0	15.3	3.8	-11.5
2005	138.1	140.9	126.1	3.7	15.7	12.0
2006	121.7	110.1	122.5	9.8	8.9	-0.9
2007	137.3	141.8	126.9	5.2	15.6	10.4
2008	140.9	131.4	127.3	3.4	17.0	13.6
2009	132.8	125.4	123.7	5.8	14.9	9.1

Source: NVE/Nord Pool

STATISTICS NORDIC COUNTRIES 2000–2009

Year	Total generation (TWh)	Potential viable hydro electric energy (TWh)	Total consumption (TWh)	Import (TWh)	Export (TWh)	Net exchange* (TWh)
2000	380.3	232.3 **	377.7	4.5	7.1	2.6
2001	382.5	209.4	388.1	12.0	6.5	-5.6
2002	379.4	177.9	384.8	12.2	6.7	-5.4
2003	360.6	174.6	377.7	21.2	4.2	-17.1
2004	382.3	201.1	394.2	18.8	6.8	-11.9
2005	391.0	227.5	390.0	13.6	14.6	0.9
2006	379.1	182.0	390.5	18.9	7.5	-11.4
2007	392.7	222.6	395.4	14.6	11.9	-2.7
2008	391.4	211.0	390.0	15.5	16.9	1.4
2009	372.4	203.0	381.2	20.3	11.5	8.8

* Export +/-import -

** Inflow 2000 without Finland

*** Based on Nord Pool's estimates

Source: Nord Pool

POWER TERMINOLOGY

BALANCE SETTLEMENT

is a key comparison of planned consumption, generation and bilateral trade and actual consumption and generation for all companies trading in electricity in the wholesale market in Norway. The difference that arises between planned and actual generation and consumption is known as regulating power. The balance settlement gives buyers and sellers access to all transmission grids and thus enables free trade in electricity.

BALANCE POWER

is the discrepancy between planned and actual exchange of electricity between Norway and Sweden ("Cross-border regulating power").

BALANCING SERVICE

In Sweden, the term balancing service is used to describe the same function as the regulating power system in Norway; see below for the definition of regulating power system.

BILATERAL CONTRACTS

are electricity contracts entered into between two contractual parties.

BOTTLENECK

A bottleneck, or congestion, arises when the transmission grid is not capable of transmitting sufficient power, i.e. when the desired consumption in an area exceeds possible generation and import capacity, and correspondingly when the desired generation in an area exceeds consumption and export capacity. A bottleneck occurs as a consequence of too little available generation capacity in conjunction with limited possibilities for import, or as a consequence of a generation surplus in conjunction with limited export possibilities.

THE DISTRIBUTION NETWORK

is a network or grid for distributing electricity all the way to the consumer (high-voltage networks of up to 22 kV, low-voltage networks of 230 V and 400 V).

HIGHER AND LOWER REVENUES

are the deviation from the break-even result. The terms are used in conjunction with the services which must break even over time, such as the Main Grid Commercial Agreement and power transmission in shared regional grids. If in one year the arrangements' revenues are higher than their costs, this surplus must be returned to customers in the form of lower prices in subsequent years. Correspondingly, a negative result (lower revenues) can be recouped by charging higher prices in subsequent years.

HIGH-VOLTAGE TRANSMISSION LINES

are power lines carrying voltages of over 1 000 volts (1kV).

ICE LOAD

In the winter, snow and ice accumulate on power lines. This is called the ice load, and is normally measured in the number of kilograms (kg) per metre of power line. In the Norwegian Main Grid, most power lines are designed to sustain a load of at least four kg of ice per metre, but on many stretches lines are designed for loads of up to 20-30 kg per metre.

THE MAIN GRID

is the main section of the power grid with the highest line voltages (420, 300 or 132 kV). It is part of a system that has common invoicing for transmission services, the Main Grid Commercial Agreement. The Main Grid consists of power lines and stations which are important to a single region, several regions, or the whole country.

MARGINAL LOSSES

are changes in energy losses in the transmission grid as a result of changes in generation and/or consumption.

OPERATOR

Buyers and sellers of electricity in the physical-delivery electricity markets are responsible for their own overall power balance. In other words, operators are financially responsible for maintaining the balance between

consumption and generation when more or less electricity is used than is covered by the contracts entered into. Statnett's balance accounting (see below) uncovers this imbalance through its comparisons, while Statnett's National Control Centre secures the overall power balance by getting operators to increase or decrease generation and consumption (regulating power system, see below).

THE POWER EXCHANGE

is the market place for organised trade in electricity.

POWER UNITS

V = volt (voltage)
A = ampere (current)
W = watt (output)
kV = kilovolt (1 000 volts)
kW = kilowatt (1 000 watts)
kWh = kilowatt hour (energy)
MW = megawatt (1 000 kW)
MWh = megawatt hour (1 000 kWh)
GW = gigawatt (1 000 000 kW)
GWh = gigawatt hour (1 million kWh)
TW = terawatt (1 000 000 000 kW)
TWh = terawatt hour (1 billion kWh)

kWh – One kilowatt hour is the amount of energy used to power a 1 000-watt fan-assisted oven for one hour. Average energy consumption in a normal house is estimated at about 25 000 kilowatt hours a year. Average consumption in flats and apartments is lower.

GWh – One gigawatt hour is one million kilowatt hours. This is sufficient energy for a development of approximately 40 houses. In the municipality of Vang in Valdres, which has 1 700 inhabitants, approximately 33 GWh of electrical energy is used in one year.

TWh – One terawatt hour is one billion kilowatt hours. This is approximately as much electricity as used in the town of Drammen in one year. In Oslo, 9 TWh of electrical energy is consumed each year, while Norway as a whole consumed a total of 123.7 TWh in 2009.

MW – One megawatt is 1 000 kilowatts. This is a measurement of

output. The maximum output for Drammen is 260 MW, while in Oslo it is almost 2 000 MW. In the municipality of Vang in Valdres, the equivalent figure is 8 MW. The highest figure measured for Norway in total is 24 000 MW (measured on 6th January 2010).

REGIONAL GRIDS

are grids that are important to large regions, for example parts of one or more counties (as a rule, grid power lines have voltages of 132 kV and 66 kV).

REGULATING POWER

The regulating power system is used to regulate the power system so that electricity consumption and generation are always in balance. Operators quote a price to reduce or increase generation and/or consumption.

REVENUE CEILING

The revenue ceiling is the revenue limit permitted by the authorities for monopolies. The Norwegian Water Resources and Energy Directorate (NVE) sets an upper limit on the revenues that grid companies can earn from their monopoly-based operations.

SHARED GRIDS

are common grid systems, for example at regional grid level. The owners of power lines and stations rent out their installations to a shared grid. The shared grid has a common operator and common power transmission prices for customers.

SYSTEM-WIDE RESPONSIBILITY


is the overall responsibility for co-ordinating the planning and operation of the entire electricity grid. Statnett has system-wide responsibility in Norway and is the Norwegian national grid company or transmission system operator (TSO).

TSO

Transmission System Operator.



THE PROMOTION CAMPAIGN "STATNETT IS UNITING NORWAY"



Statnett is about to embark on major and vital projects which will ensure that the Norwegian electricity grid meets the current demand for capacity and security of supply. To solve these tasks Statnett is looking for new and highly qualified employees – to fill new posts and compensate for staff approaching retirement age.

In order to attract the very best candidates, we need to make sure that they know who we are and what we do. Most people are not familiar with their supplier of electricity, or what it requires to provide the whole country with a stable supply of green energy.

Statnett therefore decided to launch a major promotion campaign in 2009. The message of the campaign is simple: Statnett is uniting Norway through our common electricity grid.

TELEVISION ADVERTISEMENT

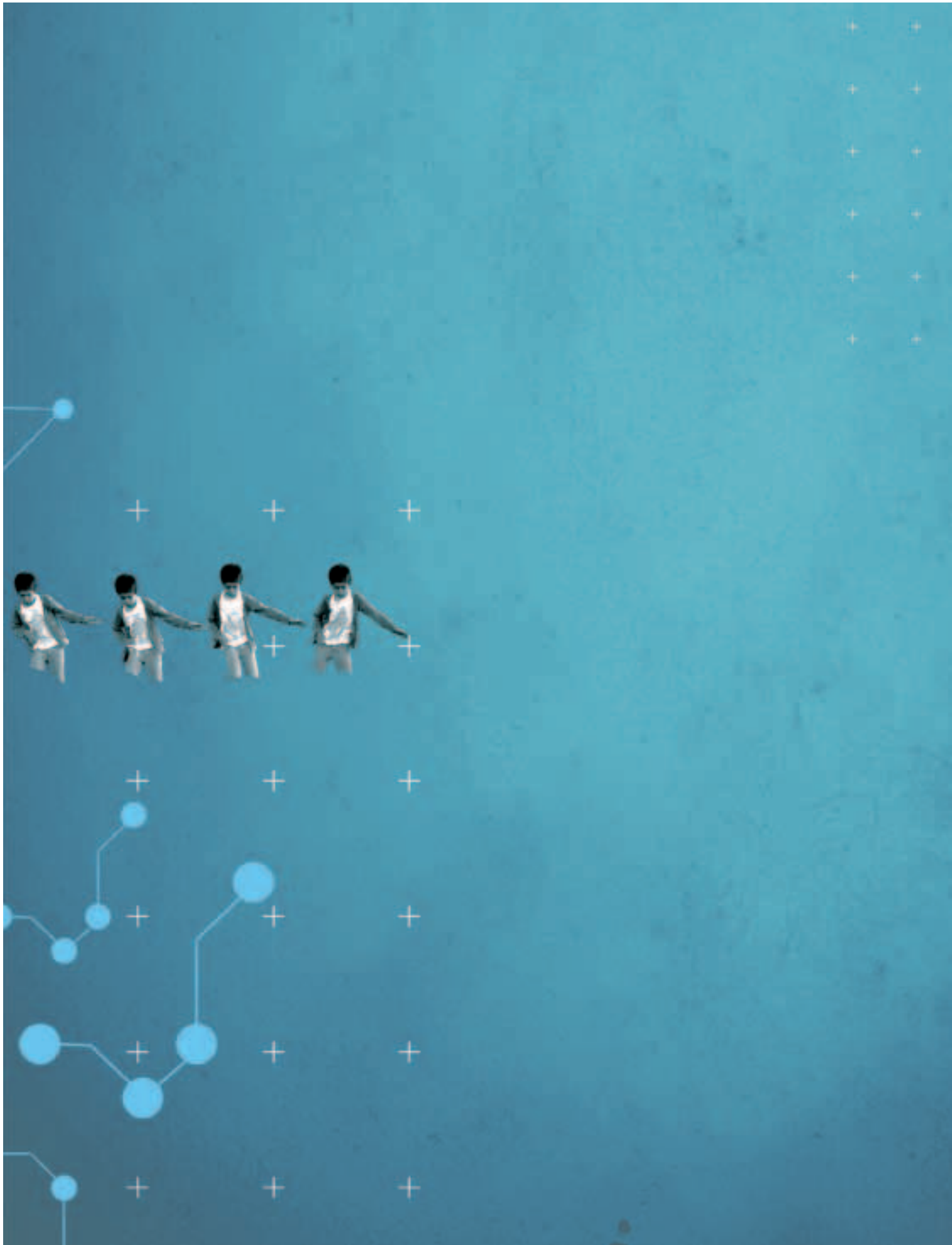
One of the main features of our promotion campaign is the television advert "Electric Boogie" with the core message "Statnett is uniting Norway". The advert, which was made by DDB/Molandfilm/Joachim Trier, was broadcasted on many TV stations and shown in many cinemas throughout the country in October and December. Before its nationwide launch, the campaign was also communicated to all divisions in the company.

EXCELLENT RESULTS

Early results from the campaign were excellent. After the very first advertising period, the general public's unprompted knowledge of Statnett as responsible for the national electricity grid increased by 15 per cent, and by 18 per cent among people between the ages of 18 and 35, who are our main target group. The campaign also received good editorial reviews, which strengthened both the campaign and its main messages. It also increased Statnett's visibility.

Statnett's television advertisement won the TV2 advertising award Sølvisken for November 2009. Sølvisken is awarded by a professional jury to the month's best advert on TV2.

We think the content and slogan of the campaign describe us well. We have therefore chosen to use it as a visual basis for the lay-out of this report. Flick through the report and you will see a clip from the advert in the top right-hand corner.



STATNETT

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