Statnett

2012

Annual report
English

Content

A word from the President and CEO

Auke Lont
President and CEO

WE ARE BUILDING THE NEXT GENERATION MAIN GRID – IN A BALANCED WAY

2012 was the year when the general public in earnest became aware that Statnett has started construction of the main grid of the future. We have obtained the first licences we need, we have the expertise and we are now fully focussed on progressing with our projects. At the same time, reliable operations and safety will always be our number-one priority.

The power grid – a balancing act

There are major power fluctuations in our power system. Following a dry period in 2010/2011 with low inflow into the water reservoirs, we experienced a wet period and a good power situation from the spring of 2011 and throughout 2012. We went from historically low reservoir levels and a strained power situation to a period with high reservoir levels, followed by a normal power situation. After a period of import records, 2012 was a year with high power exports throughout the year. In January 2013, both electricity production and consumption records were set on different days in Norway.

Statnett must handle these situations, without consumers noticing, from day to day and from hour to hour. In recent years, we have seen an increase in people's awareness of the importance of a reliable supply of power. The tolerance limit is probably lower than, say, 15 years ago, and the consequences of an outage have increased significantly.

The current climate changes make our balancing act even more challenging. The only long-term response is to make sure we have a stronger power grid, a task that we have already embarked on.

Many ongoing projects

We have stepped up our activities to develop the main grid of the future, but have not yet reached the desired investment pace. Whereas we invested just over NOK 3 billion in 2012, our aim is to increase annual investments to almost NOK 10 billion in a few years. We are developing our organisation accordingly, while working closely with regional grid companies and the supplier industry to secure good solutions and make sure we have the necessary capacity.

During the course of 2012, we acquired new licences and were allocated new tasks. We have, for instance, received a licence from the Norwegian Water

Resources and Energy Directorate (NVE) for Ofoten-Balsfjord-Hammerfest, and Statnett has made an investment decision in principle for the Ofoten-Balsfjord part. The activity level on the Ørskog-Sogndal line is high. We expect to complete Sima-Samnanger in 2013, the Skagerrak 4 subsea cable in 2014 and Ørskog-Sogndal in 2015. At the same time, upgrades are taking place in the south and east of Norway.

In the longer term, projects such as the Fosen project in central Norway will help Norway reach the goal of a renewable energy generation and consumption share of 67.5 percent in 2020. 2012 also represented a milestone in a climate perspective, with the first green certificates being issued.

Flexible European market

The strong fluctuations in the power system also demonstrate the importance of being part of a greater European market. When we experience the next dry year, it will result in a deficit in the Norwegian hydropower-based system. Consequently, we need access to power from other countries. The cables between Norway and Europe have functioned very well, both in terms of export and import of power. The cables play an important role in balancing the Nordic power system.

In the past year, we decided to proceed with two major international interconnectors, to Germany and the UK. The interconnectors are scheduled for completion in 2018 and 2020 respectively. We believe this is a balanced solution for everyone, be it a consumer in Oslo, a power plant in Indre Sogn, an aluminium plant in Høyanger or the wind turbines in Fosen. The upgrade of the domestic grid must take place in parallel with an upgrade of the power exchange capacity to other countries.

Internationally, the markets in north-western Europe became more closely connected following the launch of intraday trading on NorNed. Furthermore, Statnett is actively supporting further EU/EEA initiatives to promote a more efficient energy market.

Acceptance and support from society

Many parties are affected as we progress with our development projects. Consequently, Statnett has entered into an active and constructive dialogue with the affected parties, for instance in connection with Europe's largest power line project Ofoten-Balsfjord-Hammerfest. During this project, Statnett maintains a constructive dialogue with all 13 municipalities and with reindeer husbandry interests. In connection with the grid plan for the Greater Oslo area we have also established an early dialogue with more than 90 organisations, even though the specific projects will not be implemented for some time yet.

An important milestone of 2012 was the Norwegian government's grid report «Building Norway – about grid developments». It is our job to put the expectations to the power sector into words, both with regard to society's need for a reliable supply of power, the opportunities for development of renewable power and to create new industrial activities. The grid report, which was endorsed by the Norwegian parliament, gave us a clear and specific mandate to continue our work. For instance, issues relating to a reinforced grid in northern Norway and the new international interconnectors are discussed and clarified in the grid report.

Moreover, the Ownership Report confirms that Statnett must be in a financial position which ensures that the enterprise is able to implement all socio-economically profitable projects.

Cost-efficient development

In the updated investment plan, which was presented in the autumn, the investment estimate has increased to NOK 50-70 billion for the coming decade. The high investment estimates are partly due to a broader investment scope and higher supplier costs, but also to greater uncertainty in a long-term perspective. In a situation with changing circumstances and where the supplier industry must be re-established after a decade of low activity, Statnett is developing the grid step by step and in a balanced way to ensure that the grid can be developed in a socio-economically viable manner at the lowest possible cost.

Statnett of the future

We are creating a new Statnett. More than half of Statnett's 1000 employees have joined the company in the last four years. In the interaction between experience and renewal we have developed a can-do and will-do company. This is reflected in the opening of our new head office in Nydalen in March 2013, as well as the new building in Trondheim which was opened in 2012.

This entails that we have an open plan office and common areas. We are learning to communicate in a brand new way. Change is also evident in the organisation. As we are about to enter an intensive implementation phase, the Projects Division will change from a line organisation to a project organisation. The rest of the organisation will follow suit. We are talking about a change of culture as well as a change of mentality, to be able to complete the tasks and project we have committed to.

There are many challenges ahead, but we have what it takes to meet them. By maintaining an open dialogue, we must show that Statnett is a solid and attractive borrower. Through strong ICT expertise, we must ensure efficient and predicable communication between our plants, customers and production facilities. A new certification, PAS 55, will help maintain our assets in a systematic and cost-efficient manner. Clear HSE rules and, not least, a vibrant HSE culture, will help us to learn from past mistakes and prevent injuries and negative health effects.

The vision to build the next generation main grid is no longer just a vision. We have in earnest embarked on our task: to develop the grid of the future. However, we cannot do the job alone. We need sound long-term financial partners. We need solid and professional suppliers. And we need continued support from society.

Highlights

GRID REPORT FOR THE FUTURE

Statnett will develop the next generation main grid, a plan endorsed by the Norwegian government. This emerges from a White Paper to the Norwegian parliament, presented in March

The title of the report is ”Building Norway – about grid developments”, also referred to as the Grid Paper. In addition to endorsing main grid developments, the Norwegian government also emphasizes more efficient decision-making processes for new grid projects.

According to the government's assessments, the consequences of building too few power lines are greater than the consequences of overinvestment. Furthermore, the government has pointed out that although the planning and licensing process for power lines will still be an extensive and thorough process, the processing time must be reduced.

Changing the process

For Statnett progress of the power grid developments is also important.
”We are are looking forward to changes that improves the social processes, whilst also reducing the processing time. Statnett will contribute by entering into constructive dialogues with affected parties in early phases and throughout the entire project development,” says Executive Vice President of Statnett, Gunnar G. Løvås.

The White paper proposes changes to the decision-making process. For instance, the Norwegian government would like to see political involvement at an early stage and to raise the power of decision to the level of the King in Council. The Norwegian Water Resources and Energy Directorate will remain the main energy authority for the licensing process. In addition, an external third party will review the project before it is submitted to the authorities. The government has pointed to the importance of grid companies involving stakeholders and affected parties at an early stage, to ensure that they have the opportunity to take part in the entire process.

More capacity in existing power lines

A substantial part of Statnett's projects involves upgrading power lines to a higher voltage level, where power lines are constructed in or along existing routes. The report states that it is positive if the grid companies can come up with solutions which will increase transmission capacity without major additional disruptions, such as voltage upgrades.

Power trading is important for Norway

The Grid Paper also argues in favour of interconnectors: Power trading is important for security of supply in Norway. It contributes to efficient utilisation and helps protect the value of Norwegian hydropower. "In addition to the extensive investments we are planning to make in the domestic grid, Statnett is also planning to increase the capacity between Norway and other countries. We are therefore pleased that the Grid Paper endorses socio-economically profitable interconnectors," Løvås says.

STATNETT PAS 55 CERTIFIED

Statnett has been certified by Lloyd's Register according to the quality standard PAS 55. The certification is part of Statnett's ambition to strengthen professional operations and the development of the company's own infrastructure.

PAS 55 is a standard representing best practice for asset management. Through audits conducted by Lloyd's throughout 2012, Statnett has shown that the enterprise satisfies the standard's requirements.

Statnett owns and operates about 11 000 kilometres of power lines and cables and approximately 150 substations. The PAS 55 certification proves that Statnett has implemented important improvement measures and that the company does a good job of managing its own facilities in a comprehensive manner.

As PAS 55 certified, Statnett must demonstrate continuous improvement of the company's asset management, thereby improving security of supply. Statnett aims to be a leader in professional operations and development of own infrastructure. The PAS 55 certification documents Statnett's achievements in this respect.

POWER CABLE BETWEEN NORWAY AND GERMANY

Statnett has entered into an agreement for the construction of a power cable between Norway and Germany. The project is a key part of the development of the Northern European power grid and the cable is scheduled for completion in 2018.

In 2012 Statnett, transmission system operator TenneT and the German state financial institution KfW signed an agreement for construction of a power cable between Norway and Germany. The new interconnector will promote further integration of the Northern European power market. The project will thus support the ambitions for increased generation of renewable energy in the region and, consequently, the EUs and Norway's climate and energy objectives.

Furthermore, the new cable will help strengthen security of supply and provide more stable electricity prices in the affected markets, by making the most of the differences in the power systems in Norway and on the Continent.

The cable has a planned capacity of 1 400 MW and is scheduled for completion in 2018. The completion date is based on an assumption that all licences necessary for the project are granted according to schedule, and that the suppliers are able to supply sufficient capacity in the relevant markets.

STATNETT TO BUILD THE WORLD'S LONGEST POWER CABLE

Statnett and the British company National Grid are cooperating on the construction of a power cable between Norway and the UK, which will be the longest in the world. The project plays a key role in the development of the Northern European power grid.

After three years of planning and development, Statnett and National Grid signed an agreement in June 2012. The agreement confirms the parties' commitment to continue the work on a subsea cable between Norway and the UK. The cable is expected to have a capacity of 1 400 MW and will be completed by 2020.

Both parties are now focusing on obtaining the required regulatory and environmental agreements and licences, and on procuring more than 700 kilometres of cable, as well as constructing two substations. A milestone for the project will be when the Norwegian licence application is submitted to the Norwegian authorities in the spring of 2013. The cable will be a keystone for grid developments in the countries bordering the North Sea and is a top priority for all parties involved.

NEW GRID PLAN FOR THE GREATER OSLO AREA

Politicians and other interest groups are positive to the opportunities represented by Statnett's alternatives analyses for the Greater Oslo grid plan.

Improved security of supply, free-up of areas, fewer pylons close to residential areas and in the forested areas surrounding the capital, as well as facilitating for social development, are some of the benefits of the Alternatives Analysis for a Greater Oslo grid plan.

Governing Mayor Stian B. Røsland, Member of Parliament Jan Bøhler, Chief Adviser Oddvin Lund of the Norwegian Trekking Association and CEO of Enova Nils Kristian Nakstad were all positive to the process initiated by Statnett to establish future grid solutions for the Greater Oslo area.

The main conclusions from the analysis include:

1 No new routes.
2 Upgrading the voltage and clearing up the main grid will provide the Greater Oslo area with a more robust and reliable power grid.
3 Capacity will increase by 60 percent, whereas area use will be reduced by 30 percent.

UPGRADING MESTERVIK SWITCHING STATION

Statnett has been granted a licence for reconstruction and expansion of Mestervik switching station in Balsfjord. The upgraded facility is scheduled for completion and operation by the end of 2013.

In May 2012, the Norwegian Water Resources and Energy Directorate (NVE) granted Statnett a licence for reconstruction and expansion of the Mestervik switching station in Balsfjord municipality in Troms. In the autumn of the same year, first ground was broken for the earthwork. This work involved re-laying of the temporary 132 kV cable between Bardufoss and Kvaløya. The work is now completed and the cable is in operation.

INEO, a French company with 14 500 employees, has been awarded the turnkey contract for Mestervik station. The company has special expertise in electrical engineering, information and communication systems and other related services. INEO has signed a contract with PEAB Bjørn Bygg, Tromsø for the subcontracting of the land and concrete work.

The licence decision entails demolishing the existing switching facility and replacing it with a new and upgraded facility. The service building will also be renovated. Start-up of the facility at the new Mestervik station is scheduled before the end of 2013.

The new switching station in Mestervik will improve security of supply in the region. Mestervik switching station will also be vital for the construction of the new 420 kV power line between Ofoten and Hammerfest.

THE LONGEST POWER LINE IN NORWAY

Statnett is planning to build what will become the longest power line in Norway. More than 500-kilometre long line will pass through three counties and help develop an entire region.

In May 2012, the Norwegian Water Resources and Energy Directorate granted Statnett a licence for the construction and operation of a 420 kV power line from Ofoten in the north of Nordland County, via Balsfjord in Troms, and all the way to Hammerfest in Finnmark County. The input that Statnett received prior to the licence decision has contributed to a good solution which will significantly improve security of supply in the region.

In January 2013, the Statnett Board of Directors made an investment decision in principle for the southern section from Ofoten to Balsfjord. At the same time, the Board of Directors decided that the work on the northern section from Balsfjord to Skaidi will continue with the aim of realising the whole project.

The power line will play a key part in the further development and growth in the northernmost region in Norway. Moreover, the project will pave the way for new renewable energy production in the region and make up an important part of the next generation main grid.

FIRST WIND FARM TO RECEIVE ELECTRICITY CERTIFICATES

Åsen II wind farm in the municipality of Time in Rogaland County was the first wind farm to receive electricity certificates in Norway.

The wind farm started full-scale production of wind power on 8 March 2012. The Åsen II wind farm, which is owned by Solvind Åsen AS, has an installed capacity of 1.6 MW and a mean annual production of 4.9 GWh, corresponding to one year's consumption for about 250 households.

Åsen II has made history in two ways, as far as electricity certificates are concerned. Firstly, it is the first wind farm to be granted electricity certificates in Norway. Secondly, it represents the first Norwegian contribution to Sweden and Norway's common objective of developing 26.4 TWh of new renewable power generation in the period 2012-2020.

Statnett is responsible for keeping the electricity certificate register in Norway. This means that Statnett, among other responsibilities, issues electricity certificates to approved power plants. During the period from 1 January 2012 to the first quarter of 2013, Statnett issued 12 573 electricity certificates to 26 different power plants in Norway.


Photo: Marita Ims, Suldalsposten.

NEW POWER LINE IN ROGALAND COUNTY

Statnett has constructed a new power line from Sauda to Liastølen. The new power line came online in the summer of 2012, and contributes to a more reliable supply of electricity in the region.

The new power line in Rogaland is a small, but vital piece of Statnett's long-term project of building the next generation main grid. The power line will provide an important foundation for the development of a coastal electricity "highway".

The new 420 voltage power line covers 29 kilometres between Sauda and Liastølen. In addition, the existing power line to Saurdal will be upgraded from 300 kV to 420 kV.

The cost of the new power line was just under NOK 200 million. Of this, NOK 14 million has benefitted local businesses in Sauda, Sand and Suldal.

Statnett has extensive investment plans for the Norwegian grid in the coming decade. Statnett's ambition is to establish the next generation main grid by upgrading the existing 300 kV power lines and constructing new 420 kV power lines.

UPGRADES NEEDED IN SOUTH-WESTERN NORWAY

To ensure reliable operations and create new opportunities for use, the electricity grid from Kristiansand to Sauda must be upgraded.

This is the conclusion of two new Statnett reports. The electricity grid in southern Norway is already strained. An increase in the production of renewables, security of supply, interconnectors to Germany and the UK, as well as future energy consumption, will require a more robust grid.

«That's why it is very important to upgrade the grid from Kristiansand to Sauda, the so-called Western Corridor,» says Senior Vice President Communications Kristian Marstrand Pladsen of Statnett.

To increase capacity quickly, it is necessary to first upgrade the voltage on the Kristiansand-Sauda section to 420 kV, and reinforce the Lyse-Duge and Solhom-Duge sections. Then, the Lyse-Sauda section must be reinforced, which will provide two high-capacity interconnecting connections between Sauda and Feda and enable installation of an interconnector to Kvilldal. Finally, the Solhom substation must be upgraded to 420 kV.

«This will ensure a robust grid with high capacity, facilitating for future needs. Moreover, it will enable an increase in the renewables production in southern and western Norway, and ensure sufficient capacity for future grid reinforcements in the northern region of western Norway,» Pladsen says.

STATNETT - NORAD COLLABORATION

Statnett and Norad have entered into a collaboration agreement which will strengthen the efforts to increase expertise in grid companies in developing countries.

The objective is to improve grid companies in developing countries

The agreement encourages interaction between the technical expertise in Statnett and the Norwegian Agency for Development Cooperation's (Norad) development work.

"After having worked in East Africa for more than five years, we find that it is important to increase expertise in the grid companies, so that they can realise socio-economically profitable investment projects themselves. Norad has the same priority, and it is positive that we will now be able to learn from each other," says President and CEO of Statnett Auke Lont.

Reduces poverty

Norad has entered into collaboration agreements with various institutions, and Director of Norad Villa Kulild is pleased that they now have an agreement with Statnett.

"Statnett's expertise is important to improve grid operations and make them more efficient, and to ensure a more reliable supply of electricity. We know that access to a reliable energy supply is essential for social and economic development. Businesses and industries often quote a poor power supply as the reason they don't invest. Economic growth is vital for reducing poverty and energy is necessary to create jobs, establish businesses, promote industrial activity and stimulate commercial activities," Kulild says.

She emphasises that sustainable and stable energy services at affordable prices are essential for reducing poverty in developing countries, and thus for achieving the millennium development goals.

"Access to energy affects many aspects of a person's life, in terms of health, education, environment and their financial situation," Kulild says.

Step by step

Statnett has already established collaboration projects with transmission system operators in Tanzania and Uganda. Such projects are also in the pipeline for Kenya and Mozambique. The goal is to establish a formal collaboration between the transmission system operators in the region.

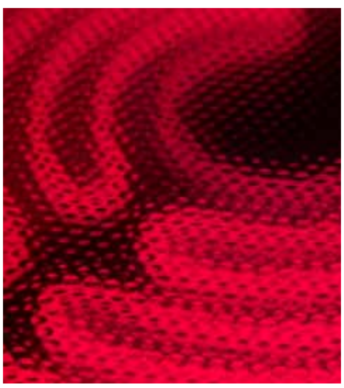
"A close cooperation characterised by trust between the grid companies in a region is essential to ensure the best possible utilisation of the resources available. Furthermore, it is important to cooperate on optimal development of power grids between countries. In our experience, it's all about taking one little step at the time before you see results of the collaboration. In this respect, African countries can learn a lot from the Nordic region," says Auke Lont.

MØDALEN-SAMNANGER IN OPERATION

The reconstruction of the existing power line between Mødalen and Samnanger will help increase transmission capacity between the northern and southern regions of Western Norway, without increasing the number of pylons.

In connection with the construction of the power line between the Sima power plant and Samnanger substation, Statnett also rebuilt the existing power line between Mødalen and Samnanger. The new power line has been constructed for 420 kV voltage, whereas the old power line was for 300 kV. The project is part of a long-term project of upgrading the national main grid to 420 kV. The new section, which is about ten kilometres long, entered operation in June 2012. The section is part of the power line between Mauranger and Samnanger.

As the rest of the 300 kV grid is upgraded, more power can be transmitted between Western Norway's northern and southern regions, without increasing the number of pylons. Further upgrades can be conducted after the Sima-Samnanger power line has entered operation, ensuring that security of supply is acceptable when some sections are disconnected for reconstruction.



NEW RECORD FOR ELECTRICITY CONSUMPTION

On Wednesday 23 January 2013, Norwegian power consumers broke the record for electricity use in one single hour. The new record is 24 180 MW.

Between 8 and 9 a.m. on this Wednesday morning in January, a new electricity consumption record was set in Norway in one single hour. The new record is 24 180 MW, or just over 24 million kilowatt hours.

The main reason for the high consumption was that at that time the temperature was below zero degrees Celsius in the whole country. It was particularly cold in southern and eastern Norway, where the population density is highest. The old record, 23 994 MW, was set on 6 January 2012.

Despite the record-high consumption and correspondingly high production, this did not affect the supply to end-users. High reservoir water levels, good access to production and no major faults in the main grid ensured stable operations and supplies, also on what was to become one of the coldest days all winter.

The Norwegian consumption is generally high on cold days and we have observed that peak power consumption is higher for each year. Consequently, we have to make sure that the system is able to handle even higher consumption peaks in the future. It is therefore important to strengthen the power grid in the whole country, a task that Statnett has already embarked upon.

Financial framework conditions

As Statnett's grid activities are monopoly-based, the company's revenues are regulated and controlled by the Norwegian Resources and Energy Directorate (NVE).

Statnett´s revenues

Statnett's reported revenues consist of fixed grid tariffs from the main grid customers and congestion revenues. Congestion revenues arise when electricity is transmitted from areas with low electricity prices to areas with high electricity prices in the Nordic region and between Norway and the Netherlands. Grid tariffs are established prior to each calendar year.

The revenues are adjusted and controlled by the authorities through the Norwegian Water Resources and Energy Directorate (NVE) and it is annually established a permitted revenue. The permitted revenue will cover the costs of grid developments and maintenance, and provide a reasonable return on the grid assets. This is based on the assumption that the transmission grid is operated, utilised and developed in an efficient way.

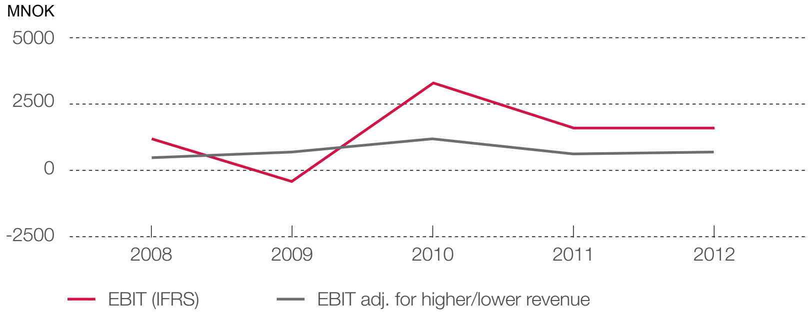
If the actual revenues diverge from the permitted revenue, higher or lower revenue will occur. In accordance with regulations from NVE, higher/lower revenue will even out over time through adjustment of future grid tariffs. Consequently, the higher/lower revenue represents temporary amounts in Statnett's accounts.

To better understand Statnett's underlying results, some key figures are presented adjusted for higher/lower revenue.

Revenue and result development

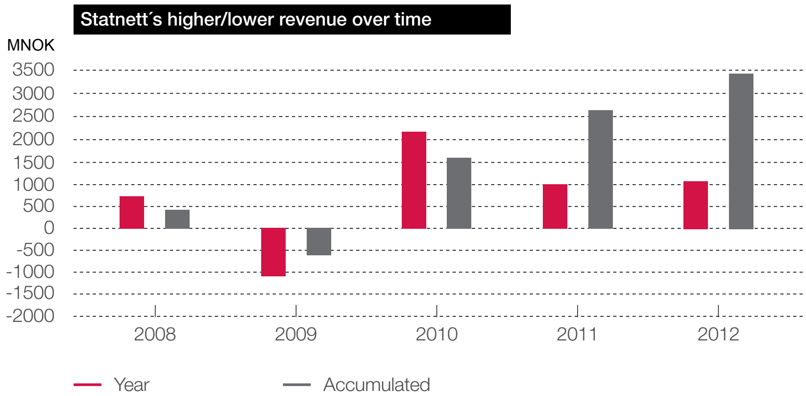
Since 2008, Statnett has had significant higher/lower revenue. This has resulted in major fluctuations in Statnett's recognised operating revenues and profit/loss. Revenues and profit or loss adjusted for higher/lower revenue shows that the underlying activities are much more stable than the accounts including higher/lower revenue. Statnett's underlying revenues and profit for 2012 were on the same level as for 2011.

EBIT adjusted for higher/lower revenue



Higher/lower revenue development

In recent years, Statnett's has predominantly had higher revenue. Accumulated higher revenue including interest was NOK 3 455 million at the end of 2012. Several factors have contributed to the accumulation of higher revenue.



2008: Statnett had a higher revenue, mainly due to higher congestion revenues than expected from NorNed during its first year of operation.

2009: Congestion revenues were low this year due to damage to the NorNed cable, and Statnett had a lower revenue of NOK 1 061 million.

2010: To cover the lower revenue, grid tariffs were increased in 2010 compared with 2009. Moreover, congestion revenues were higher in 2010 than assumed for a normal year. In total, this resulted in a higher revenue of NOK 2 187 million.

2011: Due to the accumulated higher revenue at the end of 2010 of NOK 1 554 million, somewhat lower tariffs were stipulated for 2011. Congestion revenues were however higher than expected in 2011, and the higher revenue totalled NOK 1 064 million. Accumulated higher revenue including interest was NOK 2 617 million at the end of 2011.

2012: On the basis of accumulated higher revenue, the tariffs were further reduced in 2012. The higher revenue for this year was due to higher congestion revenues than assumed, as well as somewhat lower permitted revenue due to lower interest rates and thus lower return on grid assets. In 2012, Statnett's higher revenue amounted to NOK 838 million, after having taken into account the decision by NVE to change the revenue cap for previous years of NOK 272 million. Accumulated higher revenue including interest was NOK 3 455 million at the end of 2012.

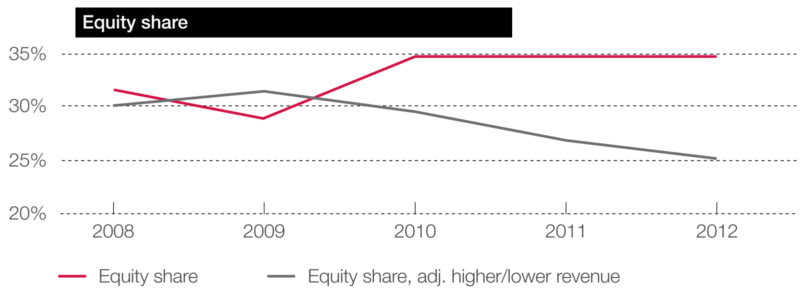
Repayment of higher revenue

Statnett has outlined a price strategy which sets the framework for stipulation of the annual main grid tariff. In accordance with the guidelines from the Norwegian Water Resources and Energy Directorate (NVE) Statnett emphasises consideration for stable and predictable grid tariffs over time. Consequently, repayment of higher revenue will take place over several years.

Investments influences revenues and balance sheet

Completed investments are included as basis for Statnett's permitted revenue, while investments recorded as plant under construction are not included. In 2008 the NorNed link was completed and the reserve power plants were installed. Consequently, investments were reduced in 2009, but have increased steadily in subsequent years. Tangible fixed assets have not increased correspondingly as major projects are being developed, and a large part of the increase is still recorded as Plants under construction. Net interest-bearing debt has therefore increased.

Statnett's equity reported in the financial accounts includes accumulated higher/lower revenue. To show Statnett's real equity, it is adjusted for accumulated higher/lower revenue after tax. As investments have increased in recent years, the adjusted equity ratio has been reduced.



Key figures

Highlights profit & loss *(amounts in NOK million)*	2012	2011	2010	2009	2008
Reported figures					
Revenue	5 334	5 497	7 247	2 862	4 256
EBITDA	2 260	2 426	3 945	259	1 722
Operating profit / EBIT	1 433	1 628	3 279	-403	1 194
Profit before tax	1 162	1 357	3 058	-668	1 742
Profit after tax	837	1 000	2 198	-480	1 517
Adjustments					
Accumulated higher/lower (+/-) revenue	3 455	2 617	1 554	-633	428
Changes in accumulated higher/lower (+/-) revenue	838	1 064	2 187	-1 061	721
Underlying figures					
Revenue	4 496	4 433	5 060	3 923	3 535
EBITDA	1 422	1 362	1 758	1 320	1 001
Operating profit / EBIT	595	564	1 092	658	473
Profit before tax	324	293	871	393	1 021
Profit after tax	234	234	623	284	998

Highlights balance sheet *(amounts in NOK million)*	2012	2011	2010	2009	2008
Investments	3 152	2 384	1 892	1 278	2 620
Tangible fixed assets	17 877	17 396	16 396	15 870	14 850
Net interest-bearing debt, adjusteed for fair value hedges	13 458	11 826	10 629	11 784	10 811
Equity	8 955	8 277	7 628	5 618	6 585
Equity adjusted for higher/lower revenue after tax	6 467	6 393	6 509	6 072	6 277
Total assets	25 794	23 881	22 070	19 342	20 919
Capital employed	21 879	19 739	17 836	16 640	15 541

Financial key figures	2012	2011	2010	2009	2008
Return on capital employed before tax, adjusted for higher/lower reveue	2.9%	3.0%	6.3%	4.1%	7.3%
Return on equity after tax	9.7%	12.6%	33.2%	-7.9%	25.0%
Equity share	34.7%	34.7%	34.6%	29.0%	31.5%
Equity share, adjusted for higher/lower revenue	25.1%	26.8%	29.5%	31.4%	30.0%

Operational key figures	2012	2011	2010	2009	2008
Employees, total	994	928	913	839	
Km power lines	9 839	9 839	9 808	Not measured	
Km land and subsea cables	703	703	703	Not measured	
Absence due to illness %	3.6%	3.8%	3.8%	4.2%	
Injuries with illness, own employees	8	11	3	4	
Greenhouse gas emissions (CO_2-equivalents)	12 918	9 831	10 981	25 382	
Hours with insufficient security of supply	1 586	2 820	4 368	Not measured	
Customer satisfaction (score)	69	71	64	59	

Corporate social responsibility 2012

Corporate social responsibility in Statnett entails integration of social and environmental considerations in the company's daily operations and vis-à-vis our stakeholders. As a result of its operations, the company has significant corporate social responsibility. Thus, corporate social responsibility is an integrated part of our fundamental values. Corporate social responsibility is integrated in the company's corporate governance and embedded in the enterprise's management and organisation.

Statnett's corporate social responsibility reporting

What is corporate social responsibility in Statnett?

Corporate social responsibility in Statnett is all about understanding the expectations of the community, and handling these expectations in a manner which generates mutual respect. By doing so, corporate social responsibility in Statnett will deliver performance excellence and capacity which will ensure that we meet our main objectives. Statnett's main objectives are described in more detail in Corporate Governance.

Corporate social responsibility is an integrated part of our fundamental values. These values form the very core of our management system and help us conduct our activities correctly. The fundamental values provide the foundation for building a positive, responsible, and sound corporate culture of confidence and cooperation at all levels.

The Norwegian government stipulates that state-owned companies should integrate social and environmental considerations in their daily operations. Statnett's reporting complies with the globally recognised reporting framework, Global Reporting Initiative (GRI).

By following these guidelines, Statnett aims to provide a general and balanced overview of how we exercise our corporate social responsibility in the enterprise's key areas. Statnett reports annually according to GRI. This was first implemented in connection with the 2010 annual report. The GRI table contains references to where information about the individual indicators can be found, and to what extent these have been complied with.

Unless otherwise specified, the corporate social responsibility reporting covers all Statnett activities, including wholly-owned subsidiaries. Data is generally collected and collated with the aim of making the presentation as relevant and uniform as possible. Although great emphasis has been placed on ensuring completeness and correctness, there may be uncertainties in relation to some of the data.

As a long-term objective, Statnett's will ensure that the corporate social responsibility reporting is verified by an independent third party and thus that the company is upgraded from GRI B to B+.

Dialogue with stakeholders

The company's external relations and the internal and external dialogue with our stakeholders are key elements of Statnett's perception of corporate social responsibility. This is equally important with respect to employees, customers and suppliers, the authorities, trade associations and unions, special interest groups and the general public.

Statnett engages in dialogue with the company's stakeholders, both as part of our daily operations and in connection with specific activities and projects. Dialogues are comprehensive and take place at, for instance, regular meetings and during consultation processes relating to grid developments and specific development projects. Through early involvement and an open dialogue with local authorities, businesses, landowners and special interest groups, Statnett will continue to promote exchange of ideas, constructive discussions and forward-looking solutions for energy supply and social development. Positive interaction with our customers, suppliers and partners on issues relating to safety and the environment is important to promote safety and environmentally friendly solutions in a short and long-term perspective. Reputation surveys are also conducted.

Corporate social responsibility organisation

State-owned companies should be at the forefront of corporate social responsibility (Report no. 10 (2008-2009) to the Storting). Statnett's fundamental governing principles help us meet the requirements and expectations laid down by our owner, employees, customers, suppliers and others stakeholders. All employees are responsible for familiarising themselves with Statnett's management system and complying with the relevant requirements in their daily work. For more details about Statnett's management system, see Corporate Governance.

Corporate social responsibility is an integrated part of Statnett's corporate management. Statnett has established management policies for internal ethical guidelines, as well as ethical guidelines for our suppliers. Corporate social responsibility is also incorporated in our policy relating to Statnett's fundamental values.

The enterprise has also established a separate functional policy for corporate social responsibility. The objective of this policy is to specify which principles Statnett will apply as a basis for safeguarding the company's corporate social responsibility within the framework established for Statnett by the owner, legislator and society in general.

In order to ensure clear and uniform corporate social responsibility reporting Statnett has prepared a set of instructions for data acquisition for corporate social responsibility reporting. The instructions provide definitions of indicators and associated data sources, as well as calculation methods.

Statnett and society

Security of supply

Statnett is responsible for ensuring a stable and secure supply of electricity. Through proper maintenance, sound preparedness and significant investments in sufficient grid capacity, Statnett secures a stable supply of electricity and enables the development of renewable energy. In this way, Statnett contributes to value creation for customers and society in general and to the realisation of Norway's climate objectives.

In 2012, Statnett invested a total of NOK 3 152 million in grid facilities. Statnett's largest investments are described in more detail in the Board of Directors' report and on our website.

Statnett operates on the principle that there should normally be two alternatives for power supply into an area. This is referred to as N-1. Statnett measures unsatisfactory security of supply by registering periods with only one barrier against power outages in the main grid. The measurements show which areas are vulnerable and therefore which areas should be prioritised in future grid developments.

Security of supply	Unit	2012	2011	2010
Outages in Statnett's power grid [1]	Number	0	3	1
Frequency deviation [2]	Minutes	11 574	12 216	11 286
Periods of unsatisfactory security of supply (N-0) [3]	Hours	1 600	2 820	4 368

Table

1 Incidents of Energy Not Supplied (ENS) more than 2 hours or > 1000 MWh as a result of a fault in power gird owned by Statnett.

2 Standardised measuring conducted by Svenske Kraftnät measured by sampling frequency per minute.

3 Registered number of N-0 hours (period where there is only one barrier against power outages).

Preparedness

A key element of securing a stable supply of electricity is sound preparedness measures. This involves preventing and handling extraordinary incidents. Stormy weather represents a particular challenge, but accidents, technical faults and deliberate damage to property will also affect security of supply.

Statnett will ensure that potential incidents are handled in the best possible manner, both in terms of operation and project execution. To meet this objective, three important measures have been implemented. A safety and preparedness policy has been established which stipulates responsibilities and guidelines on how to establish efficient preparedness. The Company has established a preparedness section which has the technical responsibility for the company's preparedness operations and ensures efficient preparedness routines and guidelines in Statnett. Furthermore, Statnett has strengthened the operative preparedness in the individual units by hiring more employees and entering into supplier contracts. As part of the emergency preparedness work several preparedness drills were conducted at various levels of the organisation in 2012.

Statnett 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 competitive implementation of this duty.

Distribution of value created

Statnett's operations generate value creation both directly and indirectly. The direct value creation is presented in the company's accounts and is allocated to the owner, authorities, employees and lenders.

Table
1 Net wage costs excluding employer's contribution

2 Tax charge, property tax and employer's contribution

3 Proposed dividend 2012

Value creation distribution	Unit	2012	2011	2010
Employees - wages and social benefits [1]	NOK million	679	555	461
National and municipal taxes and fees [2]	NOK million	589	592	1 079
Lenders - interests	NOK million	430	374	343
Owner - dividend [3]	NOK million	117	117	315
Company - retained equity	NOK million	678	649	2 010

Indirectly, value creation is ensured through, for instance, the activities Statnett generates in other companies in the form of investments in infrastructure and purchase of goods and services. In 2012, investments of NOK 3 152 million were made and goods and services were purchased totalling NOK 981 million to support the company's operations.

Procurement

Statnett sets requirements for safeguarding corporate social responsibility in our procurement activities. These requirements are laid down in our process descriptions and procurement policy, as well as in the company's contracts. Furthermore, Statnett has established separate ethical guidelines for procurement both for our own organisation and our suppliers.

All company purchases must comply with our procurement policy. The central procurement unit is responsible for major purchases. In order to ensure an optimal procurement practice, Statnett employs Sellicha as its step 1 qualification system. This also ensures that the company's corporate social responsibility is fulfilled. In addition, a step 2 qualification system has been adopted for selected products.

To promote healthy competition with regard to our acquisitions, Statnett works actively to ensure that international, national and local suppliers gain a competitive position. As part of this effort, Statnett participated in a cooperation forum in the north of Norway in 2011 and 2012 to promote exchange of information with local businesses and industry.

The responsibilities inherent in the company's role as a Norwegian Eco-Lighthouse are reflected in the company's own procurement processes, as well as in our purchasing agreements. We expect our suppliers to comply with our ethical requirements and our health, safety and environment (HSE) requirements, and to take environmental concerns seriously.

Reputation, reputation-building and visibility

An important objective of Statnett's communications strategy is to establish awareness and knowledge about the company. Given Statnett's important role in the power supply, and the enterprise's upcoming heavy investments in the main grid, it is imperative that people know who we are and what we do. This is particularly important for recruitment purposes.

Statnett's general sponsorship of the Norwegian Skating Association (NSF) is, combined with market communication and Statnett's general communication work, an important part of the efforts to raise awareness and knowledge about the company across the country. Statnett has entered into a dialogue with the NSF about terms to extend the cooperation sponsorship for the period leading up to the Olympic Games in 2014.

Statnett also wants to make a positive contribution to local communities where we are operating, and support local activities. Over the course of 2013 Statnett will introduce new guidelines for allocation of local funds to cultural activities and activities for children and young people.

A company's reputation is partly determined by how the outside world evaluates the company's quality on the basis of its products and services, and partly by an emotional dimension, i.e. to what extent one likes and trusts the company. Statnett is responsible for projects that have inspired intense public debate in recent years. This presents challenges with regard to the company's reputation and confidence in the Norwegian population. Today approximately half of all Norwegians are confident that Statnett will provide a secure supply of electricity. Statnett's objective is 80 percent by 2016.

Customer satisfaction amongst main grid customers, which are the customers directly linked to the main grid, has decreased from a score of 71 in 2011 to 69 in 2012. Good collaboration with the customers is important to ensure efficient implementation of our core tasks, and we are aiming to improve main grid customer satisfaction.

With regard to reputation and company profile, we also emphasise that Statnett has a very high employee satisfaction rate and is regarded as one of the best companies to work for in Norway (see Recruitment and Employee Development for more details).

Reputation and customer satisfaction	Enhet	2012	2011	2010
Reputation - Share of the Norwegian population who have confidence in Statnett providing a secure supply of electricity [1]	Percent	53	47	65
Prompted knowledge of who is responsible for the main powergrid [2]	Percent	57	56	53
Unprompted knowledge of who is responsible for the main grid [2]	Percent	33	37	38
Customer satisfaction [3]	Score	69	71	64

Table

1 Percentage with a very or fairly good overall impression of Statnett among professionals (including municipal mayors and chief municipal executives, national political environments, professional environments and the media) and the general public. Source: Synovate market research

2 Percentage with knowledge of Statnett being responsible for the national main grid for power supply in Norway, Source: YouGov against their internet panel on assignment from Statnett using Mindshare media agency.

3 Score on most recently conducted customer satisfaction survey. Source: TNS Gallup AS and OPINION|PERDUCO

Innovation and R&D

Statnett is working in an innovative and forward-looking manner, using research and development (R&D) extensively as a strategic tool for creation of value and innovation. The R&D strategy for the period 2012-2014 was implemented in 2012. Statnett's R&D strategy is linked directly to the overall Group strategy.

During the period 2012 – 2014, Statnett's R&D efforts will focus on the following programme areas:

- Smart Grid
- New technology and solutions for the main grid of the future
- Priorities
  - Environmental impact
  - Gaining society's acceptance for Statnett social mandate

Statnett cooperates closely with external expertise environments both in Norway and in other countries. Examples of such environments are other transmission system operators (TSOs) in the Nordic countries and Europe, the supplier industry, ENTSO-E (European Network of Transmission System Operators for Electricity) and the EU's R&D Framework Programme (FP7).

Statnett also collaborates closely with educational establishments and research communities, both in Norway and internationally, including the Norwegian University of Science and Technology (NTNU) in Trondheim, Narvik University College, the Norwegian University of Life Sciences (UMB) in Ås, Imperial College in London, Alto University in Finland, the Royal Institute of Technology (KTH) in Sweden and the Technical University of Denmark (DTU). In addition to universities and university colleges being important collaboration partners in terms of implementation of R&D work, the collaboration is also important for recruitment, access to expertise and for finding PhD studies which the enterprise wants to support. Moreover, it will contribute to raising Statnett's profile and help make Statnett more visible.

Statnett's R&D expenses totalled NOK 37 million in 2012, NOK 2 million less than in the previous two years.

Smart Grid

The focus of the R&D programme is on developing new solutions for safe and efficient operations which will meet the operational challenges of the future in a period characterised by upgrades and developments, long-term integration of renewable energy sources, more interconnectors and increased future consumption. The challenges relate to maintaining security of supply in areas with N-0 operation and keeping the frequency within set limit values.

The R&D programme consists of various projects, with a main focus on:

- Risk-based planning and execution of operations, as well as installing these in a pilot in Statnett. The objective is that operators will operate according to an agreed risk level in the future.
- Solutions which provide balancing flexibility, i.e. keep the frequencies within agreed limit values.
- New solutions for monitoring, management, and protection of the power system based on Wide Area technologies.

New technology and solutions for the main grid of the future

The programme has three focus areas relating to research on interconnector breakdowns, efficient pylon and power line solutions, as well as ensuring a stable supply of electricity in the event of solar storms.

In cooperation with National Grid, TenneT (respective owners of transmission grids in UK and Germanrespective owners of the UK and German transmission grids) and Sintef, new methods are being developed to efficiently spot detect any developing faults and take action before a cable breakdown occurs. Such methods will reduce the risk of unexpected interruptions with extended downtime and reduced revenues, as a result of limited time windows to repair cable faults.

In the Lean Line project Statnett is focusing on developing new pylons and power lines which will reduce construction times and costs by 20 per cent, whilst increasing the quality by 20 per cent for 80 per cent of new projects in the portfolio. R&D projects are looking at solutions that can be applied in a time frame of 1-3 years and solutions based on brand new pylon and power line materials in a long-term perspective (more than 10 years).

The project ”Geo Induced Current” deals with solar storms, and the effect of this phenomenon on the electricity supply. The R&D project is important as a strong solar storm may result in an outage of parts of, or the entire, power system, with serious consequences for society. Solar storms and space weather have received great international attention. In this project, Statnett is aiming to establish new knowledge and develop solutions to introduce preparedness measures which will prevent solar storms from causing unacceptable consequences for security of supply.

Priorities

In 2012, the focus of the R&D programme has been on society’s acceptance and environmental impact of power lines.

The R&D program ”Social Acceptance” consists of projects which will provide Statnett with important knowledge on how the company should act to gain acceptance for its social mandate. These projects are executed through cooperation with the FME (Centres for Environment-friendly Energy Research) and KMB projects (expertise projects with user participation), supported by the Research Council of Norway. The research takes place at Sintef, the University of Oslo, the

Institute for Energy Technology Centre (IFE), Strategic Challenges in International Climate and Energy Policy (CICEP), Oslo Centre for Research on Environmentally friendly Energy (CREE) and others.

Environmental impact is an important part of Statnett's focus on research & development. Through this, the company aims to increase our knowledge of power lines' impact on biodiversity, birds, reindeer, the landscape and general traffic. Much of this work takes place at the Norwegian University of Life Sciences (UMB) in Ås and other university communities in Norway.

Development aid

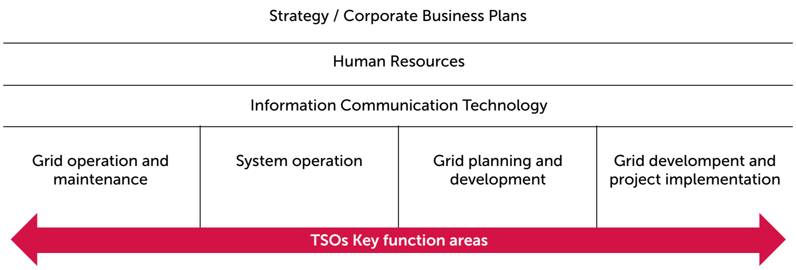
Long-term institutional cooperation with transmission system operators in East Africa and southern Africa

Over several years, Statnett has helped develop long-term expertise in transmission system operator companies (TSOs) in Uganda and Tanzania. These projects will continue for several more years. In the second half of 2012, Statnett also entered into cooperation with the TSO of Mozambique. Initially, the collaboration will focus on identifying which disciplines will be included in a future long-term institutional cooperation. In addition, the formal start-up of a three-year institutional cooperation with the TSO of Kenya is expected in the second quarter of 2013. A key objective of this project is to help establish a regional TSO collaboration between Kenya, Tanzania and Uganda.

Statnett's cooperation project with the transmission system operator in Nepal was completed in 2012 with good results.

The institutional cooperation which Statnett is engaged in, also referred to as twinning projects, is part of the Norwegian authorities' effort to increase access to clean energy at a reasonable price, based on long-term management of natural resources and efficient energy consumption in developing countries. Twinning is a well-established project form defined by the EU and the World Bank as a "process that pairs an organisational entity in a developing country with a similar but more mature entity in another country".

The principal objective of Statnett's twinning projects is to help increase expertise and efficiency in core areas for our twinning partners, both at an individual and institutional level. The figure below illustrates the disciplines often included in Statnett's twinning projects.



For Statnett it is important to help develop the power supply in the countries where we operate and by doing so supporting the Norwegian government's initiative to develop the energy sector in selected partner countries. By contributing our own experience and knowledge of how to develop and operate a transmission system operator company, we have seen that we contribute to securing a more stable power supply in our partner countries. This is important for combating poverty, promoting industrial development and strengthening the role of women.

Such projects also provide our own technical experts with exciting challenges and opportunities. The projects are financed by the Norwegian Agency for Development Cooperation (Norad) or the Norwegian embassies in the partner countries.

Electromagnetic fields

Statnett keeps continuously updated on research into any adverse health effects caused by electromagnetic fields from high-voltage power lines. Furthermore, the enterprise wishes to make its own contribution to increase our knowledge in this area.

In 2005, a work group appointed by the Norwegian Radiation Protection Authority published the report "Forvaltningsstrategi om magnetfelt og helse ved høyspentanlegg" (Management strategy for magnetic fields and health near high-voltage facilities). The report concluded the following:
"We have currently more knowledge about the situation than previously. The summary of extensive research has shown that there is a potential risk of developing leukaemia in children in cases where the magnetic field in the home is above 0.4 microtesla. However, the absolute risk is still considered to be very low."

The group recommends that a study be implemented when new houses or high-voltage facilities are constructed as a basis for assessing measures which may reduce magnetic fields. The assessment level has been set at 0.4 microtesla for potential measures and calculations to identify additional costs and other disadvantages. Please see the full report for more information about the working group's work and conclusions.

The assessment requirements and guidelines comprise homes, schools and nursery schools where people spend much of their day. Holiday homes do not fall into this category.

If the average current intensity throughout the year results in a magnetic field of more than 0.4 microtesla in private homes, potential measures should be assessed to reduce the fields to levels below 0.4. However, this does not mean that measures necessarily must be implemented. Field levels, costs and potential health effects must be considered before any remedial measures are considered.

When planning new power lines, we aim to keep them at sufficient distance from residential housing to ensure that the average magnetic fields from the lines do not exceed 0.4microtesla in the buildings.

Climate and the environment

Developing the main grid is an important tool for achieving national climate goals by facilitating the phase-in of renewable energy. Climate and environmental considerations represent one of our three strategic focus areas and are an integrated part of our Group strategy.

At the same time it is important to respect our natural environment during planning and operation of our facilities. Statnett's environmental strategy sets a framework for how to minimise the environmental impact of the company's operations.

Environmental impact of Statnett's operations

Statnett has established an HSE policy which also comprises the external environment. The company has a zero tolerance philosophy and the policy describes principles and procedures for avoiding any unnecessary environmental impact.

Any environmental incidents that do occur are recorded and followed up in the Statnett deviation system. In 2012, 67 incidents occurred. None of the incidents were registered as permanent damage or serious discharges/emissions. One of the most serious external environment incidents involved pollution of the Tveitenbekken stream, where drilling mud from the drilling of foundations was released into the stream. In connection with forest clearing in a bird habitat in Granvin, a scheduled power line resulted in trees being felled in a restricted area. Statnett's contractors reported 11 incidents in connection with work on the company's development projects. One of these involved run-off from a deposit area for excess material, which resulted in siltation of Nakkeelva and Vieelva rivers. These rivers are home to a viable population of the red-listed freshwater pearl mussel which is particularly vulnerable to increased particle density.

Statnett is continually working to improve our environmental performance. Statnett has an Environmental Management System which is certified in accordance with ISO 14001:2004. Our head offices in Oslo and administrative offices in Alta and Sunndalsøra have been certified as Eco-Lighthouses. This means that activities conducted at these offices comply with defined requirements for environmental management and performance. The office in Trondheim started the Eco Lighthouse certification process in the autumn of 2012.

Energy optimisation and proximity to public transport were important and decisive factors in the choice of new head offices in Nydalen. Both factors are important elements in the enterprise's own climate initiatives. Like Statnett's new administration offices in Trondheim, the new head offices will be an energy class A office building.

Climate

The most important contribution Statnett can make with regard to climate is to develop the next-generation main grid, facilitate connection of new renewable energy, reorganise existing power grids and update the voltage in existing power grids to maximise capacity and minimise environmental impact. In addition, Statnett is working to establish new interconnectors which will help reduce carbon emissions through facilitation of new renewable energy.

Emissions from Statnett's operations

Statnett's emissions of greenhouse gases include, for instance, operation of back-up gas-fired power plants, SF_6 treatment plants and travel in connection with work. The emissions have been accounted for in Statnett's climate report, and the company is working continuously to reduce them.

Greenhouse gas emissions

(CO_2-equivalents)	Unit	2012	2011	2010
From back-up gas-fired power plants	tonnes	1 747	2 898	1 982
From SF_6 emissions	tonnes	8 461	5 030	7 300
From fuel consumption and heating oil/paraffin	tonnes	1 360	728	646
From company air travel	tonnes	1 179	1 175	1 053

Emissions from the back-up gas-fired power plants in Nyhamna and Tjeldbergodden.

Statnett's back-up gas-fired power plants at Nyhamna at Aukra and Tjelbergodden in Aure have not been granted climate quotas in the Norwegian system. However the facilities are subject to quota obligations. Statnett reports emissions to the Climate and Pollution Agency (Klif) every year, so that our emission quotas can be balanced. Klif has granted Statnett permission to operate the facilities for up to eight days per year for inspection and maintenance purposes. The facilities are primarily intended for use in an emergency situation, as carbon emissions from one operative back-up power plant total 2 450 tonnes a day (0.68 tonnes/MWh). Preliminary figures show that emissions from Statnett's back-up gas-fired power plants totalled 1 747 tonnes of CO_2 equivalents in 2012. The reduction from 2011 was mainly due to infrequent operation of Tjeldbergodden. The final figures for 2012 will be available after 1. April 2013, when the reported data have been approved by Klif.

Emissions of SF_6 from Statnett's SF_6 facilities increased by 69 percent last year, from 210 kg in 2011 to 354 kg in 2012. The 2012 emissions correspond to an environmental impact of 8 461 tonnes of CO_2 equivalents, up from 5 030 in 2011. The increase may be due to maintenance and refilling of several SF_6 facilities. The discharges for 2012 amounted to 0.3 percent of the total 113 tonnes of SF_6 in Statnett's facilities. This is below the normal level of leakages from facilities of this type.

Inventory and emissions of SF_6	Unit	2012	2011	2010
Inventory as at 31. Dec	kg	112 576	111 239	107 447
Emissions SF_6	kg	354	210	306

Air travel in Statnett totalled 8 790 410 km, corresponding to total carbon emissions of 1 179 tonnes.

Statnett is working to reduce its own emissions of greenhouse gases by minimising the company's climate contributions with regard to own consumption, such as heating, cooling and operation of Statnett's offices and other buildings. Statnett purchases climate quotas for all company air travel.

Energy consumption and grid losses	Unit	2012	2011	2010
Electricity (excluding energy losses in transformer stations and grid)	GWh	18	17	17
Natural gas for back-up gas-fired power stations	tonnes	641	1 040	708
Fuel consumption	m^3	516	468	437
Grid losses	GWh	2 465	2 322	2 241

Climate adaptation
Climate change also affects Statnett's operations. In 2008, Statnett prepared a report in cooperation with the Norwegian Meteorological Institute (DNMI) and the Norwegian Geotechnical Institute (NGI) on the physical impact of climate change on Statnett's transmission facilities. The report evaluates the impact of climate change such as changes in wind conditions, increased precipitation and flooding, icing, landslides and avalanches, changes in the groundwater level, etc. The results from the report are used to monitor, maintain and improve Statnett's transmission facilities.

Biodiversity and disruptions to the landscape
As part of its environmental strategy, Statnett aims to be a responsible grid developer. This entails incorporating environmental concerns in the company's planning process, choice of solutions, construction and operations.

Statnett recognises that the company's facilities cause interventions in the landscape which will have an impact on biodiversity. It is our responsibility to minimise the negative impact of such interventions and weigh them against the demand for a reliable supply of electricity and socio-economic profitability.

New power lines and transformer stations have a long planning horizon. Statnett is subject to stringent requirements and has to submit a detailed report on the scope of interventions and their impact on biodiversity during the construction and operational phase.

When constructing new power lines, Statnett uses advanced techniques such as laser scanning and 3D terrain modelling in the early stages of the planning phase. This means we can see what the power lines will look like in the landscape. Furthermore, we can adapt our construction plans and choose alternatives that take into account the shape and character of the landscape.

In the planning stage, we conduct thorough studies of the impact on biodiversity, often running over several seasons. The studies comprise habitats and species, focusing on endangered and vulnerable species in particular. Whenever necessary, we will monitor or implement measures to protect endangered and vulnerable species.

Table

[1] Measured in km of transmission routes and cable routes

Grid and cables[1]	Unit	2012	2011	2010
High voltage overhead section	km	9 839	9839	9808
Earth cable and subsea cable	km	703	703	703
Overhead lines in protected areas	km	259	259	259

Environmental R&D focus

Several of Statnett's R&D programmes focus on challenges relating to climate and the environment. The company has for several years helped fund independent research on power lines' impact on biodiversity. This includes long-term research projects on birds, as well as wild and domesticated reindeer. The R&D programme "Environmental Impact" has a special focus on increasing the awareness of how power lines affect the flora and fauna. One of the projects in this programme involves collaboration with the Norwegian University of Life Sciences in Ås to study what effect various management methods in cleared ROWs will have on biodiversity.

Many of the R&D programmes comprise several disciplines, including climate and the environment. The R&D project related to the Smart Grid has a clear climate dimension. The Smart Grid technology enables two-way communication between appliances and applications in, for instance, households. The objective is to develop applications that will contribute to a cost-efficient and environmentally sound utilisation of the entire power system.

Our employees

Statnett is an attractive employer offering its employees challenging tasks. To meet our objectives, we need to have the right expertise at the right place at the right time. Statnett is committed to promoting a good and close community across the organisation and ensuring a safe and secure working environment.

A safe place to work

Statnett has a zero tolerance policy with regard to accidents and injuries to our own personnel and others who work for us. There were no serious incidents in

Statnett in 2012. However, on 3 January 2013, a tragic accident occurred in one of Statnett development projects. A subcontractor employee lost his life. The accident is being investigated by the Police and the Norwegian Labour Inspection Authority. Statnett has also instigated its own investigation of the accident.

Statnett maintains a constant focus on health, safety and the environment (HSE) to reduce risks and prevent injuries and accidents. All Statnett units must comply with Statnett's HSE policy and associated procedures and instructions. Statnett works systematically to further develop our HSE efforts, and in 2011 a separate action plan was introduced for HSE. This action plan was continued in 2012 and for the rest of 2013. HSE is always the first item on the agenda in all management meetings. The status of our HSE work and any incidents are reported to the Board of Directors on a regular basis.

Safety, health and working environment plans (SHA) are drawn up for all development projects and Safe Job Analyses (SJA) are prepared before all risk-exposed work operations. Statnett sets the same HSE requirements for suppliers as for its own employees.

Every year, we organise safety courses and first aid courses for all employees who will carry out work on electrical installations. In addition, we conduct HSE training of safety delegates, managers and HSE personnel in accordance with regulations. I 2012 several preparedness drills were carried out at various levels of the organisation.

We have entered into agreements with various approved occupational health service providers who together cover the company's total need for such services. All employees are entitled to make active use of the services comprised by the health scheme.

Reporting of undesirable HSE incidents and nonconformities increased in 2012, which is a continuation of the trends from 2010 and 2011. Statnett registers undesirable HSE incidents and deviations occurring in its own organisation, as well as in contractor/supplier organisations. In 2012, eight internal lost-time injuries were reported, whereas our suppliers/contractors reported 18 lost-time injuries.

Although the absence due to illness rate was generally low throughout 2012, we are continuously working to reduce absence. Various measures have been implemented to do so. However, we continue to identify new methods of preventing absence due to illness.

Absence due to illness	Unit	2012	2011	2010
Total	Percent	3,6	3,8	3,8
Short-term (1 - 16 days)	Percent	1,7	1,6	1,6
Long term (> 16 days)	Percent	2,0	2,2	2,1
Women	Percent	5,7	6,5	7,2
Men	Percent	3,0	3,0	2,9

Table
[1] Work-related injury which resulted in absence beyond the day of the incident
[2] Number of lost-time injuries per million hours worked

Lost-time injuries[1]	Unit	2012	2011	2010
Lost-time injuries, own employees	Number	8	11	3
Injury frequency (H1 value)[2], own employees	Frequency	3,9	6,4	2,0
Lost-time injuries, contractors	Number	18	12	5

Table
[1] Total work-related injuries
[2] Number of injuries per million hours worked

Injuries	Unit	2012	2011	2010
Injuries, own employees	Number	17	18	12
Injury frequency (H2 value)[2], own employees	Frequency	8,3	10,3	6,0

Table
[1] Registered fatalities among third-parties, occurred on or in connection with Statnett's facilities.

Fatalities	Unit	2012	2011	2010
Fatalities, own employees	Number	0	0	0
Fatalities, contractors	Number	0	1	0
Fatalities, third parties[1]	Number	0	0	0

Recruitment and employee development

Statnett is planning major development projects in the years ahead. In order to realise these projects, we will need to have sufficient expertise of the right kind. To cover our staffing needs, we are investing in development, training and recruitment of employees in accordance with Statnett's strategy and values.

Statnett emphasises a good working environment with motivated and committed employees. The strategic competence development process (SKUP) is well established in the enterprise. The process 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. As a part of SKUP, performance appraisals are conducted with all employees on an annual basis, and assessment meetings are held in all management groups. In 2012, the roll-out of a career model was initiated in Statnett. This will put more focus on the individual professional development of Statnett employees.

For the third year running, Statnett has been ranked among the ten best companies to work for, according to the Great Place to Work survey. In 2012, the company has switched to a more adapted organisation survey from Ennova. In addition to focusing on areas that are important for Statnett's working environment, the survey has benchmarking opportunities against Norwegian companies inside and outside the energy industry. The 2012 results showed that Statnett is a good place to work. Compared with the industry and other Norwegian companies, Statnett has a higher average for most of the measured factors. Job satisfaction is high in Statnett. Statnett did particularly well in terms of leadership. All units will establish relevant improvement measures.

Internal mobility and recruitment

Statnett invests broadly in the development and dissemination of expertise across the entire company. In 2012, 57 employees changed jobs internally in Statnett, compared with 49 in 2011. The SKUP process helps us increase internal mobility. The enterprise has a long-term goal of directing 100 full-time equivalents towards strategically important project execution or operation tasks. 50 of these full-time equivalents were realised in 2012.

Statnett recruited 132 new employees in 2012, compared with 74 in 2011. In 2012, Statnett had an overall staff turnover, excluding retirement, of 3.3 percent, compared with 3.7 percent in 2011. The increase in staff, combined with moderate retirement figures, means that the company has had a net increase of 319 full-time equivalents over the last four years.

In order to attract talented graduates from universities and university colleges, Statnett has established a permanent trainee programme. In 2012, eight trainees participated in Statnett's own trainee programme. In addition, Statnett had one trainee from a trainee collaboration between SINTEF, the Norwegian Water Resources and Energy Directorate (NVE) and grid companies in the industry. The trainee was offered permanent employment with Statnett after completion of the programme. Two Statnett trainees participated in an exchange programme working at Svenska Kraftnät and Statnett's Brussels office. Statnett will continue its collaboration with universities and university colleges in the coming years to increase its employer attractiveness among relevant students. Job fairs, company presentations and sponsoring activities organised by students are the most common measures. Statnett also provides opportunities for students to work in summer jobs, and to write project papers and master's theses. Statnett received a number of highly qualified applicants for its trainee programme in 2012.

Table

[1] Employer attractiveness among graduates and employees with 5 years of experience, respectively. Universum ranking (The Norwegian Professional Survey). Rank only up to 100 (50 for ICT graduates).

Employer attractiveness among graduates, Universum ranking[1]	Unit	2012	2011	2010
Graduates, technical education	Rank	32	39	49
Professionals, technical education	Rank	31	34	34
Graduates, finance/economics education	Rank	95	76	-
Professionals, finance/economics education	Rank	74	62	-
Graduates ICT education	Rank	-	-	-
Professionals, ICT education	Rank	25	37	98

Gender equality and diversity

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. In 2012, 5.3 percent of new recruits were from non-Norwegian ethical backgrounds. In total at the end of 2012, Statnett had 58 employees from non-Norwegian ethical backgrounds, compared with 52 in 2011.

Statnett has for many years worked systematically to recruit more women into management and technical positions. During the period 2005-2011, the percentage of women in management positions increased from approximately 20 to 25 percent. For 2012, this decreased to 22.4 percent. Although the number of female leaders increased also in 2012, the percentage of women has decreased as the number of male managers has increased more. The total percentage of women has increased from 23 percent in 2011, to 24.1 percent in 2012. Although achieving a more equal gender distribution remains a significant challenge, the figures prove that we have succeeded in establishing a development towards a relatively higher share of women in managerial positions. Statnett will continue the effort to recruit more women to management and technical positions. As part of this effort we have introduced a mentor programme. 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. In 2012, the percentage of women in the Group management was 14 percent. On the Board of Directors the percentage of women among representatives elected by our owners was 50 percent.

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 in Oslo, has a scheme of extended parental leave for employees with young children, and practises flexible working hours.

Education	Unit	2012	2011	2010
Total number of employees	Number	994	928	913
Full-time equivalents	Number	981	911	892
Position, percentage of full-time position, men	Percent	99,4	98,8	98,5
Position, percentage of full-time position, women	Percent	96,5	96,0	95,6
Temporary employees	Number	71	43	38
Trainees	Number	8	10	9
Apprentices	Number	27	23	24

Ethics Ombudsperson

Statnett manages large communal natural resources. As a result and due to 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 Ombudsperson in 2006. The Ethics Ombudsperson 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 Ombudsperson is held by a lawyer in our Legal Department.

The job of the Ethics Ombudsperson is to ensure that undesirable work cultures and attitudes do not develop and proliferate. Furthermore, the Ethics Ombudsperson has a duty to comply with the Working Environment Act with regard to reporting any censurable conditions in the workplace. The Ethics Ombudsperson 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 Ombudsperson's own initiative. A very important principle observed by the Ombudsperson is the principle of anonymity. This principle encourages staff to report matters that would not otherwise have been addressed.

The Ethics Ombudsperson 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 ombudsperson scheme and in ethical matters in general. The Ethics Ombudsperson reports annually to the Group management and to the Board concerning the number of notifications and the number of cases dealt with. In 2012, the Ombudsperson handled 15 cases, down somewhat from the previous year. The Ombudsperson also handled a number of minor matters. Although they may have been unsettling to the persons involved, none of the reported matters have had serious consequences for Statnett as a company.

Other GRI indicators

Table
[1] Excluding Statnett Transport AS

Age profile[1]	Unit	2012	2011	2010
Employees < 30 years old	Number	96	75	84
Employees 30-39 years old	Number	182	170	158
Employees 40-49 years old	Number	336	311	309
Employees 50-59 years old	Number	261	249	238
Employees > 60 years old	Number	120	124	110
Average age	Years	45,8	46,4	46,0
Average retirement age	Years	65,5	65,1	65,0
Average seniority	Years	10,1	11,1	11,0

Table
[1] Excluding Statnett Transport AS

Education[1]	Unit	2012	2011	2010
Civil engineers	Number	296	261	263
Engineers	Number	196	179	176
Technical education/certificate of apprenticeship	Number	237	226	218
Master of Science and Economics/Economist	Number	78	74	73
Other university/university college degree	Number	104	92	89
Commercial	Number	36	38	38
Other	Number	48	59	42

GRI

Statnett aims to develop its CSR in accordance with the Global Reporting Initiative (GRI) guidelines for the electricity industry (GRI Sustainability Reporting Guidelines & Electric Utility Sector Supplement).

Statnett's CSR reporting for 2012 has been integrated in Statnett's 2012 annual report. We believe that in all material respects our reporting is consistent with GRI's reporting principles and that it satisfies level B pursuant to the guidelines.

The table below shows where in Statnett's 2012 annual report information about each issue and the main GRI indicators may be found, irrespective of whether this is fully or partly described. Indicators marked with an asterisk * are additional indicators which we have reported on. "

GRI code	Title	Reference to Statnett - 2012 annual report
PROFILE		
Strategy and analysis		
1.1	Statement from the President and CEO	President and CEO summary
1.2	Description of key impacts, risks and opportunities	Highlights
		Corporate social responsibility (CSR)
		Board of directors' report 2012
Organisation		
2.1	Name of the organisation	Statnett SF
2.2	Primary brands, products and / or services	Highlights
		Board of directors' report 2012
		President and CEO summary
2.3	Operational structure of the organisation	Corporate governance
2.4	Location of organisation's headquarters	Note 1 General
2.5	Countries where the company operates	Board of directors' report 2012: Employees and organisation
2.6	Nature of ownership and legal form	Corporate governance: 1. Corporate governance
2.7	Markets served	Not covered
2.8	Scale of the reporting organisation	Board of directors' report 2012: Employees and organisation
		CSR: Our employees
2.9	Significant changes regarding size, structure or ownership	Board of directors' report 2012: Employees and organisation
		CSR: Our employees
2.10	Awards received	CSR: Recruitment and employee development

GRI code	Title	Reference to Statnett - 2012 annual report
EU1	Installed capacity	Not relevant for Statnett
EU2	Net energy output	Not relevant for Statnett
EU3	Number of customer accounts	Not covered
EU4	Length of transmission and distribution lines	CSR: Climate ande the enviroment: Biodiversity and disruptions to the
landscape		
EU5	Allocation of CO_2 emissions allowances or equivalent	CSR: Climate ande the enviroment: Climate
Reporting parameters		
3.1	Reporting period	2012
3.2	Date of most recent previous report	Annual report 2011
3.3	Reporting cycle	Annual
3.4	Contact point for questions regarding the report	Knut Hundhammer
3.5	Process for defining report content	CSR: CSR organisation
3.6	Boundary of the report (organisational)	CSR: Statnett's CSR reporting
3.7	Limitations on the scope or boundary of the report (issue)	CSR: Statnett's CSR reporting
3.8	Basis for reporting on joint ventures, subsidiaries etc.	CSR: Statnett's CSR reporting: What is CSR in Statnett?
3.9	Data measurement techniques and the basis of calculations	CSR: Statnett's CSR reporting
3.10	Explanation of the effect of any re-statements	CSR: Statnett's CSR reporting
3.11	Significant changes regarding scope or boundaries	CSR: Statnett's CSR reporting
3.12	Overview of reported indicators	Statnett's GRI table
3.13	Practice for external assurance for the report	CSR: Statnett's CSR reporting: What is CSR in Statnett?
Governance, commitments and engagement		
4.1	Governance structure of the organisation	Corporate governance: 1. Corporate governance
4.2	Whether the Chair of the Board also is an executive officer	Presentation of the Board of Directors
		Corporate governance: 8.Corporate assembly and Board of Directors, composition and independence
4.3	Independent and/or non-executive members of the board	Presentation of the Board of Directors
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board	Corporate governance: 7. Election committee
		Corporate governance: 8. Corporate assembly, Board of Directors, c omposition and independence
4.5	Compensation for members of the board and senior executives and performance	Note 14
4.6	Board processes to ensure that conflicts of interest are avoided	Corporate governance

GRI code	Title	Reference to Statnett - 2012 annual report
4.7	Process for determining the qualifications of the board members	Corporate governance
4.8	Internally developed missions or values etc.	CSR
		Corporate governance
4. 9	Board procedures for overseeing the organisation	Corporate governance
4.10	Processes for evaluating the board's own performance	Corporate governance
4.11	Precautionary approach	CSR
4.12	Externally developed principles or initiatives to which the organisation subscribes	CSR
		Corporate governance
4.13	Membership of associations	CSR
4.14	List of stakeholder groups engaged by the organisation	CSR
4.15	Identification and selection of stakeholder groups	Not included in the 2012 annual report
iNDICATORS AND MANAGEMENT APPROACH		
Economy		
EU6	Short and long-term electricity availability and reliability	CSR: Statnett and society: Security of supply
EU7	Demand-side management programmes for reduced energy consumption	Not relevant for Statnett
EU8	Research and development activity and expenditure	CSR: Innovation and R&D work
EU9	Provisions for decommissioning of nuclear power sites	Not relevant for Statnett
EC1	Economic value generated and distributed	CSR: Statnett and society: Distribution of value created
EC2	Financial implications, risks and opportunities due to climate change	CSR: Statnett and society: Innovation and R&D
		CSR: Climate and the enviroment
EC3	Coverage of the organisation's defined benefit plan obligations	Note 1
EC4	Financial assistance received from government	Note 1
EC5 *	Range of ratios of standard entry level wage compared to local minimum wage	Pursuant to regulations
EU10	Planlegging av produksjonskapasitet i forhold til forventet behov	Not relevant for Statnett
EU11	Average generation efficiency of plants based on fossil fuel	Not relevant for Statnett
EU12	Transmission and distribution losses	CSR: Climate and the enviroment: Emissions from Statnett's operations: Energy use and grid losses

GRI code	Title	Reference to Statnett - 2012 annual report
Environment		
EN3	Direct energy consumption	CSR: Climate and the enviroment: Emissions from Statnett's operations: Energy use and grid losses
EN11	Protected areas and areas of high biodiversity value	CSR: Climate and the enviroment: Power grid and cables
		CSR: Climate ande the enviroment: Biodiversity and disruptions to the landscape
EN12	Significant biodiversity impacts and areas of high biodiversity value	CSR: Climate and the enviroment: Power grid and cables
EN14 *	Strategies, current actions, and future plans for managing impacts on biodiversity	CSR: Climate ande the enviroment: Biodiversity and disruptions to the landscape
EN16	Direct and indirect greenhouse gas emissions	CSR: Climate ande the enviroment: Climate
EN22	Total weight of waste and disposal method	CSR: Climate and the enviroment: Emissions from Statnett's operations
EN23	Significant spills	CSR: Climate and the enviroment: Emissions from Statnett's operations
EN26	Mitigation of environmental impacts of products and services	CSR: Climate and the enviroment: Emissions from Statnett's operations
EN27	Products and packaging materials that are reclaimed	CSR: Climate and the enviroment: Emissions from Statnett's operations
EN28	Fines and sanctions related to environmental issues	CSR: Our employees: A safe place to work
Employee follow-up		
EU14	Programmes and processes to ensure availability of a skilled workforce	CSR: Our employees: Recruitment and employee development
EU15	Percentage of employees eligible to retire in the next 5 to 10 years	CSR: Our employees: Age profile
EU16	Policies and requirements regarding health and safety training	CSR: Our employees: A safe place to work
LA1	Workforce	CSR: Our employees: Employees
LA2	Turnover	CSR: Our employees: Internal mobility and recruitment
EU18	Percentage of contractor/subcontractor employees that have undergone relevant health and safety training	CSR: Our employees: A safe place to work
LA4	Employees covered by collective bargaining agreements	Regulated by Norwegian law
LA5	Minimum notice period(s) regarding significant operational changes/restructuring	Regulated by Norwegian law
LA7	Injuries and occupational illness, lost days and absenteeism	CSR: Our employees: A safe place to work
LA11 *	Skills management and lifelong learning	CSR: Our employees: Recruitment and employee development
		CSR: Our employees: Internal mobility and recruitment

GRI code	Title	Reference to Statnett - 2012 annual report
LA12 *	Percentage of employees with performance and career development reviews	CSR: Our employees: Recruitment and employee development
LA13	Composition of governance bodies and breakdown of employees per category	CSR: Our employees: Gender equality and diversity
LA14	Ratio of basic salary of men to women	CSR: Our employees: Gender equality and diversity
Human rights		
HR2	Suppliers and contractors assessed as regards respect of human rights	Pursuant to regulations
HR4	Incidents of discrimination	No cases registered
HR5	Risk identification on freedom of association and collective bargaining	No cases registered
HR6	Risk identification on child labour	No cases registered
HR7	Risk identification on forced or compulsory labour	No cases registered
HR9 *	Violations involving rights of aboriginal people	No cases registered
Society		
	Disclosure on management approach	
EU19	Stakeholder participation in development plans and projects	CSR: Statnett's CSR reporting: Stakeholder dialogues
EU21	Contingency planning measures and training programmes	CSR: Statnett and society: Preparedness
SO4	Actions taken in response to incidents of corruption	No corruption cases
SO6 *	Financial and in-kind contributions to political parties, politicians and other related institutions	No cases registered
SO7 *	Actions for anti-competitive behaviour	No cases registered
SO8	Fines and sanctions for non-compliance with laws and regulations related to corruption, discrimination, accounting fraud etc.	No cases registered
Product responsibility		
	Disclosure on management approach	
PR1	Health and safety impact assessments in the lifecycle of product and services	CSR: Statnett and society: Electromagnetic fields
EU25	Injuries and fatalities to third parties	CSR: Our employees: A safe place to work
PR5 *	Customer satisfaction	CSR: Statnett and society: Reputation, sponsoring and visibility
EU28	Power outage frequency	CSR: Statnett and society: Security of supply
EU29	Power outage duration	CSR: Statnett and society: Security of supply
EU30	Average plant availability	Not relevant for Statnett

Corporate governance

The aim of corporate governance is to ensure that Statnett fulfils its social responsibilities by clearly defining the distribution of roles between the owner, Board of Directors and the administration, and set the framework for desired conduct in the company. Below follows the Board of Directors' annual report on compliance with the Norwegian Code of Practice for Corporate Governance (www.nues.no). Deviations from the Code of Practice are explained.

1. Corporate governance

Statnett is a state enterprise, established under the Act relating to state-owned enterprises and owned by the Norwegian state through the Ministry of Petroleum and Energy (MPE). The Minister's administration of ownership is exercised under constitutional and parliamentary responsibility. The enterprise is independent and is wholly responsible for its obligations.

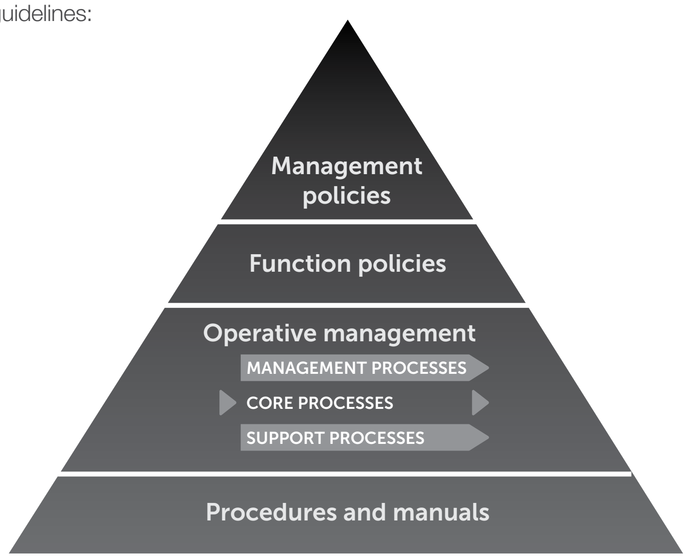
Good corporate governance is a precondition for stable value creation over time. The enterprise's fundamental governing principles help us meet the requirements and expectations laid down by our owner, employees, customers, suppliers, lenders and others stakeholders.

Corporate management

Statnett's governing bodies establish the framework for the enterprise's activities. These comprise constitutional principles related to the public ownership, the Norwegian State's corporate governance principles, as well as articles of association and decisions adopted by the Enterprise General Meeting.

Along with the instructions to the Board of Directors, instructions to the President and CEO, this framework constitutes the key governing documentation in Statnett. The Board of Directors and the President and CEO establish the framework for the enterprise's activities in order to meet the adopted objectives.

Statnett's corporate management framework consists of four levels of documented guidelines:



Level 1: Guidelines adopted by the Board of Directors, referred to as management policies. These relate to our value base, ethical guidelines, governance, management and control as well as asset management.
Level 2: Function policies stipulate common principles including guidelines for decisions and conduct.
Level 3: Description of Statnett's main processes, their sequence, deliveries, roles and responsibilities, taking into account common function policy principles and instructions requirements.
Level 4: Guidelines of an operational nature such as procedures, instructions, checklists and manuals.

Statnett focusses on quality management and continuous improvement, and is certified according to PAS 55 (quality standard for asset management) and ISO 9001 (quality management) and 14001 (environmental management).

2. Business

Statnett has a function in the government's sector policy. Section 2 of Statnett's articles of association stipulates that "Statnett SF is the Transmission System Operator in the Norwegian power system." As System Operator, Statnett is responsible for ensuring that there is an instantaneous balance at all times between production and consumption of electric power in Norway. Our System Operator role is described in more detail in the Regulations relating to system operation.

Furthermore, Statnett's objects clause stipulates that "the enterprise is responsible for ensuring efficient operations in a social economy perspective and for developing the main power grid. Statnett SF shall, alone or together with others, plan and design, build, own and operate transmission facilities. Statnett SF will execute the tasks assigned to the company pursuant to applicable laws, regulations and licences. Moreover, Statnett SF will adhere to commercial principles." Statnett's articles of association are available on our web site.

Statnett has established the company's mission, values and main objectives:

Statnett's mission

Statnett will build the next generation main grid by 2030.

Statnett's values

Statnett's values are a long-term perspective, respect and community. These values provide the basis for everything we do, and set the standard for the daily conduct of our employees and the management.

Statnett's main objectives

Our main objectives describe what we wish to deliver:

- *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 customers and for Norwegian society at large.

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

Statnett has also formulated objectives for how we want to achieve our objectives:

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

Statnett's strategy focusses on our core activities. To realise Statnett's objectives the following five target areas are important:

- Ensure safe and efficient operations
- Build a robust and environmentally-adapted main grid
- Secure a stable supply of electricity and promote value creation through interaction with the other Nordic countries and Europe
- Develop the next generation Statnett
- Secure acceptance and understanding for Statnett's social mandate

3. Share capital and dividend

At 31 December 2012, Statnett's equity was appropriately aligned with the company's current activities and risk profile. Statnett's strategy entails substantial investments. These are described in more detail in the 2011 Grid Development Plan and in the updated 2012 Investment Plan. In Proposition to the Storting No. 1 (2011-2012), the Norwegian state has, as the owner, stated that Statnett should have a financial position which enables the enterprise to carry out all socio-economically profitable grid investments. In order to realise the planned investments, Statnett needs to raise more equity in the next five years. The decision to increase the capital can only be made by the Enterprise General Meeting.

The Group's dividend policy is stipulated in the government budget. In Proposition to the Storting No. 1 (2011-2012), the Norwegian government has established a long-term dividend policy of 50 percent of the defined dividend basis up to and including the fiscal year 2015. The basis for the dividend is defined as the Group's net profit after tax, adjusted for changes in the balance for higher/lower revenue for the year after tax.

4. Equal treatment of owners and transactions with closely related parties

Statnett SF is wholly-owned by the Norwegian State through the Ministry of Petroleum and Energy (MPE). Consequently, the enterprise has no need for guidelines for equal treatment of owners.

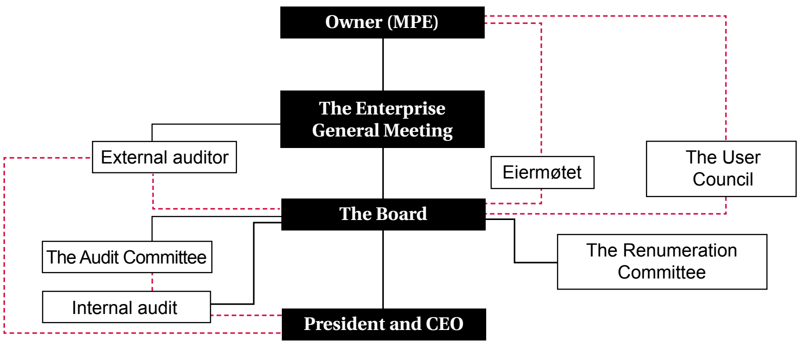
For major transactions between the enterprise and related parties, Statnett performs value assessments prepared by independent third parties in accordance with national regulatory requirements.

Statnett's ethical guidelines stipulate that employees should report any doubt regarding competence or qualifications. The Ethics Ombudsperson function has been established as a whistle-blowing channel.

5. Freely negotiable

Statnett is a state enterprise without transferable ownership interests.

Figure: Overview of Statnett's management structure at the end of 2012. The formal reporting lines are shown as solid lines.



6. The Enterprise General Meeting

The Ministry of Petroleum and Energy is the enterprise's supreme decision-making body through the Enterprise General Meeting.

The following issues are discussed and settled at the Enterprise 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 Group's consolidated profit and loss account and balance sheet. In addition, any other matters are discussed pertaining to the General Meeting according to Norwegian laws and regulations, including election of the Statnett Board of Directors and stipulation of remuneration levels for board members and the board committee. The Board of Directors and the company's auditor attend the Enterprise General Meeting.

The Ministry's authority in the enterprise may not be exercised outside the Enterprise 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. An ordinary general meeting is held every year by the end of June.

7. Election committee

Statnett has no election committee. The MPE designate the enterprise's board members at the Enterprise General Meeting.

8. Corporate Assembly and Board of Directors: composition and independence

Statnett has no corporate assembly. The enterprise's Board of Directors shall consist of seven to nine members, in addition to any deputy members. Two, or possibly three members, and their deputy members are appointed by and from the enterprise's employees according to the relevant rules laid down in Section 20 of the Act relating to state-owned enterprises and associated regulations. Pursuant to Section 21 of the Act relating to state-owned enterprises, board members are elected for a period of two years, but will remain in office until a new member has been elected even though the term of office has expired.

See the annual report for more information about each board member.

The Board of Directors had an attendance of 92.2 percent in 2012.

Pursuant to the Act relating to state-owned enterprises, the President and CEO cannot be a member of the board. With the exception of employee representatives, members of the Board of Directors are independent of the enterprise and the owner.

9. The work of the board of directors

The Board of Directors has overall responsibility for ensuring that Statnett's operations are prudently managed. Instructions to the Board of Directors have been established stipulating that the Board must prepare an annual plan for its work which establishes the distribution of roles and responsibilities between the Board of Directors and the President and CEO and ensures that there is sufficient competency to handle issues discussed by the Board. The Board of Directors shall determine Statnett's strategy and ensure that Statnett is organised in a satisfactory manner. Furthermore, the Board of Directors adopts budgets and ensures satisfactory asset management, a good working environment and compliance with regulatory requirements, laws and regulations. Statnett's ethical guidelines stipulate that board members should report any issues that may affect their competence on their own initiative. The Board conducts an annual evaluation of its work and competence in order to ensure effective quality control of its work.

The Audit Committee

The Board of Directors has established an Audit Committee which will function as a preparatory body to the Board of Directors. The Board has approved instructions for the Audit Committee. 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. Furthermore, the Audit Committee shall maintain continuous contact with the enterprise's appointed auditor with regard to the audit of the enterprise, and assess and monitor the auditor's independence according to the Audit and Auditors Act. See Note 14 in the annual financial statement for information about the auditor's fees.

Remuneration Committee

The Board of Directors has appointed a Remuneration Committee to assist the Board of Directors with stipulating the President and CEO's terms and conditions of employment and help establish the main principles and framework for remuneration of the Statnett Group management. The Board has approved instructions for the Remuneration Committee. In accordance with Section 9 of the articles of association, the Board of Directors prepares a statement concerning remuneration to the President and CEO and the Group management in accordance with the provisions in the Public Limited Liability Companies Act, the Norwegian Accounting Act, and the Guidelines relating to state-owned companies. See also Note 14 in the financial statement.

Project committee

The Board of Directors has appointed a project committee as of 1 January 2013. The project committee is to function as a preparatory body for the Board of Directors with regard to follow-up of Statnett's development projects based on a defined mandate. In particular, the project committee shall ensure sound governance of the development projects approved by the Board of Directors and follow up projects from when an investment decision in principle (BP2) has been made in Statnett's project model. The project committee will present its considerations to the Board of Directors, but will not make decisions on behalf of the Board. The committee will review the mandate annually and propose updates if necessary.

Main Grid User Council

In connection with the 2013 national budget negotiations, the Norwegian Parliament decided to disband the Main Grid User Council. On this background, it was decided at an extraordinary general meeting, held on 11 January 2013, to delete Section 8 of Statnett's articles of association. The Main Grid User Council was operative throughout 2012 and consisted of six members who were appointed by the Enterprise General Meeting and represented special interest organisations. The Main Grid User Council discussed matters pertaining to Statnett's regulated monopoly and administrative tasks

10. Risk management and internal control

Statnett works systematically to review any risks associated with our activities. The Board of Directors receives a complete overview of the enterprise's risk profile twice a year. All development projects approved by the Board of Directors are reported to the Board meetings and include an updated risk profile for the individual project.

Internal control is an integral part of corporate governance. Statnett conducts business reviews every six months covering all areas of operation. The reviews include reviews of HSE results, score cards, finance and risk exposure. The Board of Directors reviews and assesses the enterprise's internal control procedures on an annual basis.

Statnett publishes quarterly financial reports. The external and internal reporting is reviewed by the Group management, the Audit Committee and the Board of Directors.

Internal control and financial reporting

Combined with the enterprise's organisation, management forums and reporting lines, Statnett's ethical guidelines and value base lay the foundation for a good internal control environment. A separate policy has been developed for accounting and financial reporting. Risk assessments of the most important processes related to financial reporting will be conducted as and when required. The Audit Committee, internal auditor and the Board monitor the enterprise's internal control systems.

Ethical guidelines

Statnett's 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. Statnett has appointed an Ethics Ombudsperson who is responsible for ensuring compliance with the Norwegian Working Environment Act with respect to facilitating reporting of censurable conditions. 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 board members, managers, employees, contractor personnel and any other party who acts on behalf of Statnett.

Ethical guidelines for contractors

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. Inspections and audits are conducted in order to make sure that the requirements are fulfilled during execution of the contracts. The ethical guidelines for employees and contractors are available in their entirety on Statnett's web site.

11. Remuneration of the Board of Directors

See Note 14 in the financial statement for a detailed overview of Board remunerations.

12. Remuneration of executive employees

Statnett follows the guidelines that apply for executive pay in state enterprises. See Note 14 in the financial statement for a detailed overview of remuneration of executive employees.

13. Information and communication

Transparency

Statnett is governed by the Public Enterprises Act (with a few exemptions), regulations relating to dissemination of information to the power market and safety and preparedness legislation. Statnett distributes financial and operational information in accordance with the regulatory requirements and practises transparency and openness.

Financial and operational information as well as the enterprise's financial calendar are available on Statnett's web site.

Owner's Meeting

In addition to the dialogue with the owners which takes place at the Enterprise General Meeting, the owner also promotes communication between the Board of Directors and the owner outside the General Meeting. The purpose of the Owner's Meeting is to provide 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.

14. Company takeover

Statnett SF is a state enterprise. The sale of assets would entail a restructuring of the business organisation and a legal amendment which requires the consent of the Norwegian Parliament.

15. Auditor

External auditors are appointed by the General Meeting and are independent of Statnett. The enterprise's external auditor for 2012 was Ernst & Young. The external auditor presents an annual work schedule to the Audit Committee. The external auditor attends meetings in the Audit Committee to discuss relevant issues. The auditor participates in the Board's consideration of the annual accounts. The external auditor must attend one annual Board meeting where the management is not present. The Audit Committee evaluates and proposes an external auditor and is responsible for monitoring the auditor's independence. As an important part of the process of ensuring the auditor's independence, the Board of Directors has established guidelines relating to the enterprise's access to use the external auditor for assignments other than audits. Each year, the external auditor reviews the company's internal control together with the Audit Committee.

See Note 18 of the financial statement for information about the auditor's fees, divided between auditing and other consulting services.

Board of Director's report

Statnett's main objective is to ensure a stable supply of electricity and facilitate a well-functioning power market. 2012 has been a year with stable operations, and the power situation in Norway has been good throughout the year. The overall energy production increased by 17 percent compared with 2011, both production and export records were set and net imports were only necessary for two weeks.

The Nordic frequency quality, measured as the number of minutes outside the 49.9 - 50.1 Hz frequency band, has deteriorated in recent years. Together with the other Nordic transmission system operators (TSOs), Statnett has drawn up an action plan to improve the quality. The Frequency Restoration Reserves (FRR), a new market for automatic reserves, was activated in December. The reserves will help bring the frequency back to 50 Hz and reduce the impact of any incidents in the system.

To maintain and improve security of supply, facilitate value creation and reduce emissions of greenhouse gases, Statnett is in the initial phase of its mission to build the next generation main grid by 2030. Statnett's plans, which are described in the 2011 Grid Development Plan and the updated 2012 Investment Plan, are consistent with the Norwegian government's Grid Report presented on 2 March 2012. The mission imposes substantial demands on Statnett's organisation and on the interaction with stakeholders. This requires efficient licensing processes, a strengthening of Statnett's implementation strategy as well as increased use of the supplier industry through extended contract models. Statnett investments in the main grid in the next decade will be within an estimated cost range of NOK 50 and 70 billion. This will result in increased financing needs and hence also considered the need for additional equity. The increased activity affects the risk situation for Statnett. Statnett practises unified risk management. The risk profile has been assessed, and extensive improvements and measures have been implemented to meet this challenge.

In 2012 there has been an increase in investments, and extensive planning has been undertaken which shows that the investment level is expected to increase in the years ahead. Statnett currently has major power line projects under construction. The main projects are Ørskog - Sogndal and Sima - Samnanger, which are both important power lines for security of supply to central Norway and the Bergen area respectively. Other major important projects under construction are the Skagerrak 4 interconnector to Denmark and the Ytre Oslofjord cable. The increased investment levels also include significant reinvestments in existing plants and facilities.

Statnett's future investments in the main grid will result in increased grid tariffs and will thus represent higher costs for the users. In as far as possible, Statnett tries to balance phase-in of investment initiatives necessitated by the need to ensure security of supply, with a cost-efficient overall development plan. Furthermore, Statnett prioritises coordination of contract solutions across projects to ensure efficient use of the supplier market. At the end of 2012, Statnett held licences for 17 percent of the estimated investment portfolio of NOK 50 - 70 billion. The figures in the investment plan may be affected by, for instance, reassignment of priorities in the portfolio, new licensing terms and cost developments in the supplier market. Each individual project goes through several decision stages before a final investment decision is made. The largest projects will also be subject to external quality assurance. Since 2003, about 80 percent of Statnett's projects have been implemented within budget.

The Nordic and north European energy system is undergoing structural changes. This places new demands on the future Norwegian main grid to ensure a robust grid and a flexible supply of energy. To facilitate new renewable energy and an expected Nordic power surplus, and in order to ensure security of supply in dry years, it is necessary to increase the power exchange capacity to the system outside the Nordic region. In 2012, Statnett has entered into agreements with key parties in Germany and the UK for the construction of international interconnectors. These interconnectors are scheduled to be completed by 2018 and 2020 respectively. These projects are important for the development of the Northern European power grid and have top priority for all parties involved.

In 2012, Statnett was certified according to the quality standard PAS 55 (Publicly Available Specification 55). PAS 55 sets requirements to the enterprise's asset management in a lifetime perspective. The standard assumes a clear connection between the enterprise's strategy and plans and the implementation of activities and risk-based decisions. The PAS 55 requirements are stringent; they assume continuous asset management improvement and, furthermore, underpin Statnett's focus on cost-efficient operations during a strong growth phase.

Statnett has focus on Health, Safety and the Environment (HSE) directed at both regular operations and the increasing construction activities. Several measures were introduced in 2012 and Statnett is working systematically to facilitate the zero tolerance philosophy for HSE. There were no serious incidents in Statnett in 2012. However, on 3 January 2013, a tragic accident occurred on one of Statnett's development projects. A subcontractor employee lost his life. The accident is being investigated by the Police and the Norwegian Labour Inspection Authority. Statnett has also initiated its own investigation of the accident.

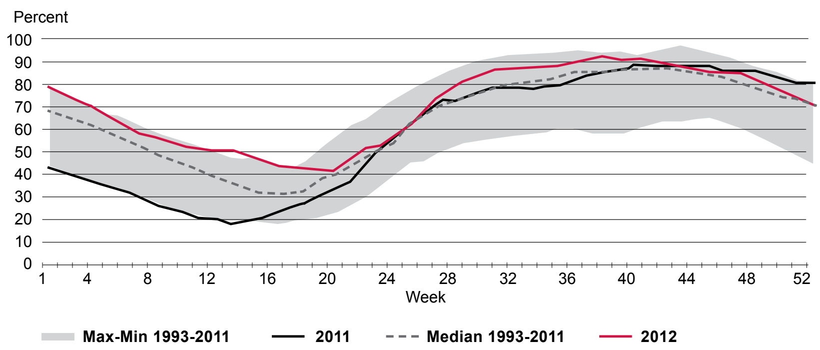
Security of supply

The power situation in Norway was good throughout 2012. The hydrological balance was 12 TWh entering 2012, which is above normal, and the balance remained at this level through most of the year. Cold and dry weather towards the end of the year reduced the hydrological balance to 3 TWh below normal at year-end.

Reservoir levels varied greatly in 2012. At the beginning of 2012 reservoir levels were 80 percent, 35 percentage points higher than in 2011, 10 percentage points above the median, and on par with the maximum level for the period 1993 - 2011. In March the temperature was 4.3 degrees above normal, the warmest March ever recorded nationwide since the year 1900. Precipitation levels in March were 155 percent of normal, resulting in high inflow for this time of year.

In the second quarter, precipitation levels were higher than normal. However, temperatures were lower than normal which resulted in late spring culmination, and thus reduced reservoir levels compared to the median. Due to heavy precipitation in July, reservoir levels increased. The average temperature in December was 2.6 degrees below normal and precipitation averaged 70 percent of normal precipitation, which reduced reservoir levels. At the end of 2012, reservoir levels were 70 percent, at median level.

The average temperature in 2012 was normal and precipitation was 105 percent of normal. This corresponds to 129 TWh of precipitation energy, 1 TWh above normal. Inflow in 2012 was 134 TWh, 5 TWh higher than normal (based on the period 1981 - 2010), but 15 TWh less than in 2011. The main reason for the changes in reservoir levels, from 10 percentage points above the median at the beginning of the year to median levels at year-end, was high exports throughout the year.



The overall power consumption in 2012 was 130 TWh, compared to 123 TWh last year. Overall power generation was 148 TWh in 2012, an increase of 17 percent from 2011. This resulted in net exports of 18 TWh, which is the highest since 2000.

Net imports were only necessary for two weeks in 2012. High production set new records for production and exports: On 2 February, production for one hour reached 25 910 MWh/h, on 3 April the registered exchange per hour was 5 195 MWh/h and for the week 13-19 August power exchange measured 655 GWh.

On 27 June, a new power line between Sauda and Saurdal was put into operation. This is a 420 kV line, but is operated at 300 kV. The power line has efficiently relieved the other power lines in the area and improved the operating and supply situation in western Norway.

The Nordic frequency quality has been somewhat reduced in certain periods, and Statnett has, together with the other Nordic TSOs, drawn up an action plan to improve the quality. On 3 December, a new market for automatic reserves was launched, the Frequency Restoration Reserves (FRR). The reserves will help bring the frequency back to 50 Hz and reduce the impact of any incidents in the system. From January 2013 Sweden and Denmark have also contributed FRR to the Nordic system.

There were several operational interruptions in 2012 that affected operations for shorter or longer periods:

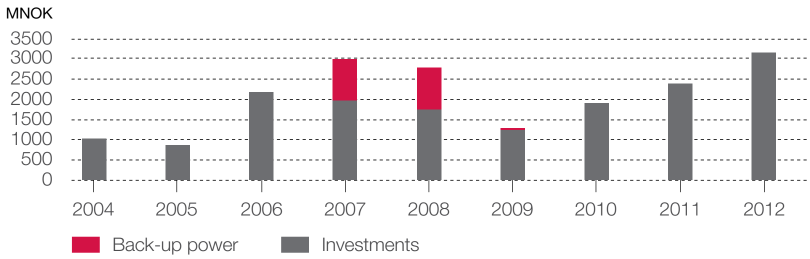
- Security of supply to Troms and Finnmark counties was affected following a transformer breakdown in Kvandal in the autumn of 2011. On 2 February, a pylon broke down on the connection between Varangerbotn and Finland, which further deteriorated the situation. The connection to Finland was restored on 10 February. On 15 February, a back-up transformer was put into operation in Kvandal and security of supply was close to normal.
- On 26 January, a transformer outage occurred in Vang (Hamar) causing a consumption outage of 100 MW which lasted for about three hours.
- On 4 April, two pylons on the Aura - Viklandet power line broke down due to an avalanche. This affected security of supply to the Møre area. The situation improved throughout spring due to lower consumption and higher production. The power line returned to operation on 4 November.
- On 19 November, an operational interruption occurred in connection with work at Rød transformer station. The manufacturing industry at Herøya, Rafnes and Esso Slagentangen was affected and approx. 500 MW of production was interrupted. Industrial consumption and production was resumed after approx. 35 minutes. Rød T4 was back in operation on 25 January 2013.
- A storm in south-western Norway on 14 and 15 December broke pylons on the power lines between Saurdal - Sauda and Førre - Lyse. The power lines returned to operation in January 2013.

Investments

Statnett has major development projects under planning and implementation. The plans are presented in Statnett's grid development plan from 2011 and the updated 2012 investment plan. The plans are in line with the white paper No. 14 (2011-2012), the Grid Report. Statnett invested NOK 3 152 million in 2012, including both commissioned and ongoing investment projects. This is an increase from NOK 2 384 million in 2011.

Figure
Investments in NorNed in 2005-2008 was NOK 2 446 million

Development investment



Commissioned projects totalled NOK 1 339 million in 2012.

At year-end, the value of plants under construction was NOK 4 277 million, a net increase of NOK 1 840 million in 2012. This was mainly related to the power lines Ørskog - Sogndal and Sima - Samnanger, as well as the Skagerrak 4 interconnector to Denmark.

The most important projects are listed in the table below. Planning proposal submitted means that Statnett has notified the Norwegian Water Resources and Energy Directorate (NVE) that a licence will be applied for, but a licence application has not yet been submitted. Projects for which licence applications are pending or licences have been appealed are being considered by the Norwegian authorities

Overview of major investment projects

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

Project	Location	Expected investment NOK million
Commissioned projects		
Hasle transformatorstasjon		400
Sauda - Liastølen	Rogaland	200
Modernisation of ICT infrastructure in Statnett's stations		87
Ongoing major investment projects		
Ørskog - Sogndal	Møre og Romsdal/Sogn og Fjordane	4 600 - 5 600
Voltage upgrade eastern corridor (Kristiansand - Rød)	Vest-Agder/Telemark	1 350 - 1 950 [1)]
Station investments (Frogner, Mestervik back-up transformers and reactors for voltage reduction)		1 400 - 1 750
Skagerrak 4	Norge/Danmark	1 400 - 1 700 [2)]
Ytre Oslofjord	Vestfold/Østfold	1 200 - 1 400
Sima - Samnanger	Hordaland	900 - 1 100
Varangerbotn - Skogfoss	Finnmark	480 - 580
Licences pending or appealed		
Ofoten - Balsfjord - Hammerfest	Nordland/Troms/Finnmark	8 000 - 12 000
Voltage upgrade Western corridor	Vest-Agder/Rogaland	6 000 - 9 000
Station investments (Hamang, Lakselv, transformer capacity Eastern Norway)		2 900 - 4 100
Storheia - Snillfjord - Trollheim	Sør-Trøndelag/Møre og Romsdal	2 600 - 3 900
Namsos - Roan - Storheia	Trøndelag	1 400 - 2 100
Voltage upgrade Midt-Norge Klæbu - Namsos	Trøndelag	700 - 1 000
Reinvestments Indre Oslofjord - interconnectors		670 - 870
Planning proposal submitted		
The South-West Link	Norway/Sweden	3 300 - 5 000
”Arctic Circle” Skaidi - Varangerbotn	Finnmark	2 250 - 3 500

Project	Location	Expected investment NOK million
Interconnectors		
Cable to England		6 000 - 8 000 [2)]
Cable to Germany		6 000 - 8 000 [2)]
ICT projects		
Renewal of Statnett's central operations system		400 - 500
New Regulation and Market System		200 - 250
Computer network for power system management		200 - 250

1) Sections are under licensing

2) Statnett share

Important project events in 2012

Major investment projects - completed

- *Hasle Transformer Station:* A new upgraded station assumed operation in November.
- *Sauda - Liastølen:* A new 420 kV and 29 km long power line came online in June. The power line is operated at 300 kV.
- *Modernisation of ICT infrastructure in Statnett stations:* The project will improve capacity, availability, security, safety and functionality of ICT services at Statnett stations. The project has been completed below budget.

Ongoing major investment projects

- *Ørskog - Sogndal:* There is a high level of activity related to construction of power lines and substations. Work is ongoing to gain land access after a final licence was granted in December 2011.
- *Voltage upgrades Eastern Corridor Kristiansand - Rød:* Construction work has started on the Kristiansand - Bamble section. Statnett received a final licence for the Bamble - Rød section on 1 March 2013.
- *Skagerrak 4:* Progress is according to plan and completion is scheduled at year-end 2014.
- *Ytre Oslofjord:* Due to technical irregularities on the oil cables, the cables must be remanufactured. The production of a prototype oil cable has been completed and preparations for type testing are ongoing. The production of the PEX cables has been delayed. A back-up cable has been deployed to handle a potential outage situation. The back-up cable can be put into operation 1 – 2 weeks after a decision to do so has been made.
- *Sima - Samnanger:* Progress is somewhat behind schedule. However, completion is expected in 2013 as planned.
- *Varangerbotn - Skogfoss:* Progress is somewhat behind schedule. However, commissioning is expected in 2013 as planned.

Other projects under development:

- *Ofoten - Balsfjord - Hammerfest:* In 2012, the NVE granted Statnett a licence for the construction and operation of a 420 kV power line from Ofoten through Balsfjord to Hammerfest. The decision has been appealed. This is the longest power line project in Norway (513 km). In January 2013, the Statnett Board of Directors made an investment decision in principle for the Ofoten - Balsfjord section.
- *Interconnector to Germany:* The project is under development and scheduled for commissioning in 2018. Statnett has signed a partnership agreement with TenneT and the German state-owned financial institution KfW and is, together with these partners, developing the interconnector project towards a final investment decision in 2014.
- *Interconnector to England:* The project is under development and scheduled for commissioning in 2020. Statnett and National Grid International Limited have signed a collaboration agreement for the construction of the interconnector.

Research, development and competence building

Research and development (R&D) in Statnett is a strategic tool to promote value creation, innovation and environment friendly solutions. Statnett invested NOK 37 million in R&D in 2012, two million less than in 2011. In the first quarter of 2012, a new R&D strategy was developed for the period 2012 - 2014, linked to Statnett's Group strategy. The following R&D programmes were initiated:

- *Smart Grid:* Developing and testing new solutions for safe and efficient operations which will meet future challenges.
- *Solutions and technology for the next generation main grid:* Developing and implementing a pilot facility to support the development of a robust main grid adapted to the environment.
- *Priorities:*
  - *Environmental challenges*: Impact of new infrastructure on the environment
  - *Social acceptance*: Ensure acceptance and understanding for Statnett's social mandate, ensure security of supply and promote value creation through interaction with the other Nordic countries and Europe.

In addition to its own R&D activities, Statnett cooperates closely with external expertise both in Norway and abroad. Furthermore, Statnett is committed to developing an R&D strategy through ENTSO-E, which will give the enterprise the opportunity to participate in jointly financed R&D projects together with other transmission system operators, as well as universities in Europe with financial support from the EU. See Corporate Social Responsibility for more information about Statnett's R&D work.

Financial results

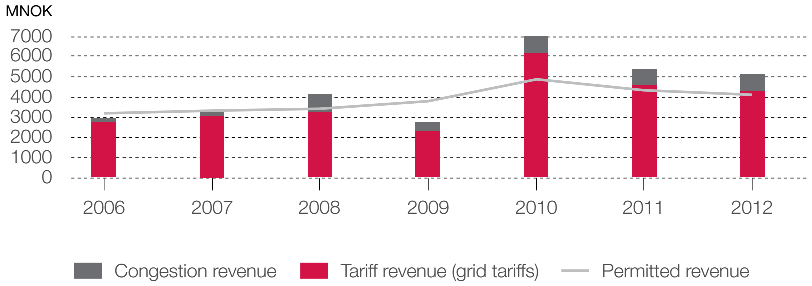
The annual financial statements for Statnett SF and the Statnett Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) and interpretations established by the International Accounting Standards Board (IASB) which have been approved by the EU. Comments to the accounting items are in relation to the Group's financial statement. Developments described for the Group also apply to the parent company.

Operating revenues

Statnett's operating revenues for 2012 totalled NOK 5 334 million (NOK 5 497 million). The reduction in operating revenues was due to lower tariff revenues in 2012, due to planned downward adjustment of tariffs for 2012 as well as lower electricity prices in 2012, somewhat offset by increased congestion revenues.

Statnett's operating revenues mainly derive from regulated grid operations. Operating revenues from regulated activities in Statnett's financial reporting consist primarily of fixed grid tariffs from the customers as well as congestion revenues (price differences between areas in the Nordic region and towards the Netherlands). Statnett's grid operations are regulated by the NVE which stipulates a cap for Statnett's revenues (permitted revenue). If the total revenues from grid operations for one year diverge from the permitted revenue, so-called higher or lower revenue will occur. Higher/lower revenue will even out over time through adjustment of future grid tariffs. In 2012, Statnett's higher revenue amounted to NOK 1 065 million (NOK 1 020 million). Accumulated higher revenue including interest was NOK 3 455 million at the end of 2012.

Operating revenue



Operating costs

The Group's operating costs in 2012 totalled NOK 3 901 million (NOK 3 869 million).

System services costs were reduced by NOK 70 million due to reduced costs of reserves. 2012 was characterised by high reservoir water levels and high production. All generators supplied reserves. Consequently, the need to purchase further reserves was low. In 2011, on the other hand, reservoir water levels were low as was production. This was combined with extraordinary high inflow in some periods, and in some parts of the country, production exceeded grid capacity in 2011. Production had to be regulated downwards despite water loss at some power plants. This was particularly costly during the revision period.

Transmission losses were NOK 263 million lower in 2012 compared to 2011. This was due to lower energy prices in 2012.

Wage costs increased by NOK 142 million in 2012 compared to 2011. This was due to an increase in pension costs attributable to changes in actuarial assumptions applied to pension calculations as well as an increase in staff throughout 2012 as a result of increased activity in development, operations and maintenance.

Depreciation and write-downs increased by NOK 29 million in 2012 compared with 2011. This was due to a net increase in the value of commissioned facilities.

Other operating costs were NOK 194 million higher in 2012 than in 2011. This was primarily due to increased interconnector activity, preparedness measures for Ytre Oslofjord, as well as reversal of provisions in 2011 related to the cost-sharing agreement for NorNed's first two operating years.

Net profit

The Group's operating profit for 2012 amounted to NOK 1 433 million (NOK 1 628 million).

Revenues from associates totalled NOK 9 million in 2012 (NOK 5 million).

The Group's net financial items for 2012 amounted to net cost of NOK 280 million (net cost of NOK 276 million). Interest costs were higher in 2012 due to an increase in loans in 2012. This was offset by an increase in capitalized contruction interest as a result of significantly higher project activities in 2012.

Profit for the year after tax in 2012 was NOK 837 million (NOK 1 000 million). Lower tariff revenue is the main reason for the reduction in profit. The adjusted profit after tax for the year amounted to NOK 234 million, and is adjusted for changes in higher/lower revenue, including decisions relating to earlier years of NOK 272 million and estimated interest costs. Dividend is based on the adjusted profit.

Cash flow and balance sheet

The Group's operating activities generated an accumulated cash flow of NOK 1 426 million in 2012. The net cash flow from investment activities totalled NOK -3 085 million. In total, loans were redeemed by NOK 4 439 million, and new loans of NOK 5 903 million were raised. At year-end 2012, the Group's liquid assets and market-based securities amounted to NOK 1 302 million (NOK 1 602 million).

At the end of 2012, the Group had total assets of NOK 25 794 million (NOK 23 881 million), and interest-bearing debt amounted to NOK 14 390 million. The market value of recognised interest swap and currency swap agreements (fair value hedges) related to interest-bearing debt was NOK 932 million. Interest-bearing debt, corrected for this, totalled NOK 13 458 million.

At year-end 2012, the Group's equity totalled NOK 8 955 million (NOK 8 277 million). The company's distributable equity was NOK 5 979 million at year-end (NOK 5 289 million). Adjusted for net higher/lower revenue, the equity ratio was 25.1 percent.

Subsidiaries and associated companies

Statnett SF is required to provide heavy transport preparedness for the Norwegian power supply. The wholly owned subsidiary Statnett Transport AS shall ensure efficient and competitive execution of these obligations. In 2012, operating revenues for Statnett Transport amounted to NOK 137 million (NOK 104 million) and the profit before tax was NOK 18 million (NOK 1 million).

At the beginning of 2012, Statnett SF had an ownership interest of 30 percent in Nord Pool Spot AS. On 1 August 2012 there was an increase in capital in Nord Pool Spot AS, where Elering AS and Litgrid AB, systems operators in Estonia and Lithuania, purchased a shareholding of two percent each. Statnett's shareholding was consequently reduced to 28.8 percent The Latvian system operator Augstsprieguma has issued a letter of intent to purchase two percent of the shares in Nord Pool Spot and will effectuate this agreement when the power market opens in Latvia. Statnett's shareholding after the three Baltic system operators have become co-owners in Nord Pool Spot AS, will be 28.2 percent. Statnett's share of the profit in Nord Pool ASA contributed NOK 9 million (NOK 5 million) to the Statnett Group's profit in 2012.

Risk

Statnett practises unified risk management which reflects that the enterprise manages a critical infrastructure in a vulnerable society, and that the enterprise is in a growth phase with a significant project volume. Statnett's tolerance for risks with a potential impact on HSE and supply of electrical power is very low. A secure power supply in general forms the basis for stable supply of electricity to the end-users specifically, value creation and realisation of climate-friendly solutions. Important activities for managing risk in connection with power supply include:

- Asset management including new investments and reinvestments, maintenance and security measures
- Exercising Statnett's system responsibility
- Preparedness

Statnett's risk management covers the enterprise's entire perspective, including strategic, commercial, operational and financial aspects. Statnett's risk management is an integrated part of the company's activities, coordinated across divisions by means of a common methodical foundation and framework. There is focus on risks with a potential impact on HSE, power supply, financial aspects, reputation and compliance. Consequences at enterprise level will take priority.

Market risks are centally managed in Statnett, and checks are conducted to ensure that exposure does not exceed mandates. Assets, responsibility and personnel are insured at Group level. A coordinated mapping of exposure is conducted and an insurance portfolio has been established through Statnett Forsikring AS and the open insurance market.

Statnett's risk areas are, to a large extent, of an operational and financial nature.

Operational risk

- HSE risk. Statnett's work relating to development, operations and maintenance, involves operations where there is a risk of serious personal injury. Statnett's activity level will increase in the time ahead and there will be focus on health, safety and environment risks. This HSE risk is reduced by focussing on sound, documented work processes, safe job analyses, management focus on HSE, as well as the reporting of incidents and near misses in a learning perspective. An extensive HSE network across the Group is an important contributor to a uniform work method and for efficient learning and development.

- Project and portfolio risk. Statnett is implementing several major projects, and is planning to launch a number of new projects. This entails increased project risk. The projects are relatively uniform and take place mainly in Norway. This means that the projects are exposed to many common risk factors in addition to the project-specific factors. In 2012, Statnett conducted comprehensive analyses to look into the possibility of establishing a project portfolio with a more favourable risk profile and an ambitious, but acceptable schedule for goal realisation. The portfolio was adopted in the autumn of 2012. The project execution risk still remains, even after this replanning.

  Significant common risk factors in the project portfolio include HSE risks, disconnection needs in the existing grid, capacity challenges relating to certain expertise groups, awarding of licences and authority permits as well as insufficient quality in deliveries. Risk is managed by focusing on quality in work processes, various implementation models and internal allocation of expertise and capacity.

  In order to increase the company's implementation capacity new contract models are introduced where a greater share of the work is performed by external contractors. It is important to take into account the various risks arising from the chosen contract model, including how risk is shared between Statnett and suppliers. Furthermore, there are various risks associated with the contractor's ability to meet Statnett's quality requirements, the ability to operate under Norwegian conditions, meeting Statnett's safety requirements and compliance with statutory and contractual tariff wages and working conditions for foreign workers. Efficient management of these risk factors sets strict requirements for Statnett as a construction client. Statnett will also be more exposed to non-deliveries should any of the company's suppliers run into financial difficulties. There is focus on assessment and continuous follow-up of suppliers.

  To ensure good governance of the projects approved by the Board of Directors, the Statnett Board has appointed a project committee. The project committee will follow up to ensure that Statnett's management of the projects is satisfactory and that the projects have sound HSE practice, supply good technical quality, follow schedules, comply with budgets and are cost-efficient.

- Risks relating to systems and operation. The frequency quality in the Nordic region, measured as the number of minutes outside the 49.9 - 50.1 Hz frequency band, has deteriorated in recent years. Frequency deviation is an indicator of the risk in the system. If an incident should occur in the Nordic power system during a situation which cannot be covered by available reserves, the frequency may fall to a level where consumption is disconnected (automatic frequency control). The Nordic TSOs have implemented measures to improve the frequency quality, most recently in December 2012 when a market for secondary reserves was launched.

- Risk of grid facility faults. Interruptions in the electricity supply may occur as a result of a fault in a single component during N-0 operation or as a result of concurrent faults in situations with normal operational reliability. Some geographical areas have N-0 supply for parts of the year; such as Bergen, Stavanger, northern Norway north of Ofoten, Lofoten/Vesterålen, Sunnmøre and parts of eastern Norway. The number of hours with N-0 operation depends on the level of consumption as well as the extent of any grid outages due to faults, maintenance and reconstructions. An increase in N-0 operation hours increases the risk of supply interruptions. Some of the consumption is constantly supplied by N-0, such as the process facility for Ormen Lange in Nyhamna. In 2012, few incidents have resulted in outages for end-users. Preliminary estimated outage costs for connected end-users (under the KILE scheme) amounted to NOK 31 million in 2012, compared with NOK 270 million in 2011.

  For areas supplied by N-1 operation, at least two faults must occur before supply is interrupted. The main reasons for concurrent faults are extreme weather, operational incidents during grid work as well as other extreme incidents. Concurrent faults are less likely to occur than single faults. However, these may last longer and be more extensive.

  Many different measures are applied for managing the risk of faults in grid facilities. Completed new investments reduce the risk of N-0 operation in the event of a fault. However, the risk may increase during the construction period as existing facilities need to be disconnected. Reinvestment and maintenance will improve the condition of a facility and reduce the risk of faults in the existing grid structure. Safety measures reduce the risk of externally generated faults as well as injuries. Emergency preparedness measures reduce the impact of faults and other incidents, should they occur.

  In the medium term, many of the ongoing risk-adjustment measures, in particular development projects, will be completed, and some of the areas which currently have N-0 operation for parts of the year will have a more reliable power supply. Developments in production and consumption, ageing of existing grid facilities and weather changes are some factors that will result in some areas still being exposed to faults in grid facilities. Statnett is continuously conducting analyses to identify areas that are exposed to risks in the medium term.

- Energy access. Risk related to energy access for the system as a whole is considered to be normal based on a regular hydrological balance, combined with the fact that Swedish nuclear power is expected to produce with a high load factor. Other measures that will reduce the risk include purchase of energy options in consumption and earlier investments in back-up power facilities.

- Operating control systems. A fault in the operating control system may lead to disruptions in the power system, power failures, physical damage to facilities or may pose a risk to human life and health. Such incidents will also complicate fault correction in the power grid. There were no incidents with major consequences in 2012. Measures that are implemented to reduce the risk include systematic risk management, duplication of technical solutions, improved access control and establishment of a more robust data communications network.

- Regulation. The energy sector is strongly regulated and the development trend points towards even more regulation to achieve political objectives. Furthermore, power lines historically represent controversial disruptions to the landscape and Statnett's facility upgrades will affect many of the country's municipalities in the coming decades. Statnett is dependent on society's acceptance of any disruptions to the landscape as a consequence of our activities. A majority of the Storting supports the main aspects of the Grid Report, which to a large extent embraces Statnett's activities.

Financial risk

Statnett has established a financial policy and framework for financial management, including limits in connection with credit risk, settlement risk and counterparty risk, as well as instructions for implementation of financial transactions. Control procedures have been established which are carried out independently.

- Financial risk. Statnett has access to multiple credit markets and has a diversified maturity structure on its debt. This reduces the risk of Statnett not being able to refinance the company's loans during periods with limited captial availability. The enterprise has a credit facility totalling NOK 3.5 billion with a five-year term to support an ability to fund at least 12 months' operation and investments without incurring any new debt. Statnett has long-term credit ratings of A+ and A2 from Standard & Poor's and Moody's Investor Service, respectively.

- Interest rate risk. Statnett's permitted revenues are partly based on the return on the enterprise's grid capital, calculated on the basis of the NVE interest rate. The model used to calculate the NVE interest rate has been changed with effect from 1 January 2013. The change will reduce Statnett's interest rate risk, as the new model is better adapted to the actual financing costs of the grid companies, including Statnett.

- Credit risk. Statnett assumes credit risk through placing surplus liquidity with securities issuers. Statnett has limits which set credit rating requirements for counterparties and maximum exposure limits for each individual investment of surplus liquidity. Statnett is also exposed to credit risk related to the company's collection of main grid tariffs, and as responsible for balance settlement in the regulating power market. Routines have been established for provision of security relating to trade on the regulating power market.

- Currency risk. Statnett's revenues are mainly in Norwegian Kroner (NOK), whereas some of the Group's expenses are in foreign currencies. Currency risk is minimised through several measures, including using currency swap agreements to hedge risk in connection with purchases in investment projects. All Statnett loans in foreign currency are converted to NOK through currency swap agreements.

Employees and organisation

Statnett's head office is in Oslo, with administrative offices in Alta, Sunndalsøra and Strinda in Trondheim and in Brussels. In addition, Statnett employees work at facilities all over Norway.

Employees

Statnett has an ambitious assignment and must ensure that the right expertise is in place for the right jobs. The enterprise had significant growth in 2012 with 132 new employees. Statnett has a low staff turnover. However, many of our employees will retire in the next few years. Consequently, Statnett makes a targeted effort to be an attractive employer in order to attract new employees, as well as to retain and develop the expertise of existing employees. This includes summer job programmes, trainee programmes and apprentices in electrical power engineering. Statnett has introduced a career model which focuses on individual professional development of Statnett's employees. Furthermore, Statnett has a senior policy with flexible working arrangements to retain valuable employees and expertise until retirement age.

Project management skills are important for Statnett's ability to carry out the scheduled project portfolio. Consequently, we provide training for project managers and project employees internally at a project academy developed for Statnett. In 2012, 256 course modules were held and 57 examinations were held at various levels.

At the turn of the year, Statnett SF had 994 employees, compared to 928 the year before. The increase in staff is mainly owing to an increasing number of tasks in connection with planning and implementation of investment projects, as well as increased requirements related to preparedness and new expertise regulations.

Statnett conducts annual organisation surveys. In 2012, Statnett implemented a more suitable tool. In several areas, Statnett's results are better than the comparative basis for Norway and the energy sector, including job satisfaction, motivation and loyalty. Statnett's employees also report that they are familiar with the company's objectives and strategies, that there is ample opportunity for professional and personal development in the company and that safety is very well maintained.

Gender equality and diversity

Statnett has a zero tolerance policy regarding discrimination and harassment in the workplace. The enterprise follows this up with local safety delegates, appraisal interviews and opinion polls. For Statnett it is important to ensure a diverse organisation in terms of gender, ethnicity and age. In 2012, 5.3 percent of new employees came from non-Norwegian backgrounds, down from 9.5 percent in 2011.

The percentage of female employees has increased by one percentage point since 2011, to 24.1 percent. The percentage of female employees in the energy sector in general was approximatley 20 percent. At the end of 2012, four of the nine members of Statnett's Board of Directors were women and one of the seven members of the Group management. Women filled 22 percent of all managerial positions in the Group and two of Statnett's eight trainees in 2012 are female. Statnett aims to increase the number of women in technical and managerial positions.

Employment conditions for women and men are monitored using a variety of methods, including wage reviews and staff surveys. Women and men with approximately the same educational background and experience, and employed in comparable positions receive equal pay. The average percentage of personnel in full-time positions is increasing, with 96.5 percent for women in 2012, compared with 96 percent in 2011 and 99.4 percent for men in 2012, compared with 98.8 percent in 2011. See also Notes 4 and 14 for more information about wage costs and remuneration to the Group management.

Health, safety and the working environment

Statnett has a zero tolerance policy with regard to accidents, injuries and unnecessary environmental impact. The Group maintains strong focus on health, safety and the environment (HSE) and implemented an HSE action plan in 2011. This was continued in 2012 with new focus areas. Reporting of undesirable HSE incidents and nonconformities increased in 2012, which is a continuation of the trends from 2010 and 2011. This is a result of strong encouragement to report such incidents as well as better reporting systems. Statnett registers undesirable HSE incidents and deviations occurring in its own organisation, as well as in contractor/supplier organisations. HSE plans are drawn up for every project, and Safe Job Analyses are prepared before all risk-exposed work operations.

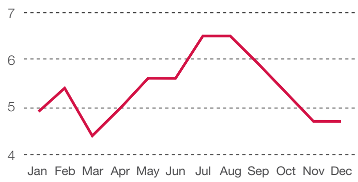
There were no serious incidents in Statnett in 2012. However, on 3 January 2013, a tragic accident occurred on one of Statnett development projects. A subcontractor employee lost his life. The accident is being investigated by the Police and the Norwegian Labour Inspection Authority. Statnett has also initiated its own investigation of the accident.

Eight internal lost-time injuries were reported in 2012, whereas our contractors/suppliers reported 18 lost-time injuries. The Lost Time Injury Frequency Rate (H value) in Statnett was 4.4 in 2012, down from the 2011 rate of 6.3. The F value in Statnett was 63.4 in 2012, down from 209.4 in 2011.

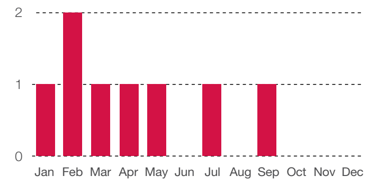
The Group's overall absence due to illness was 3.6 percent in 2012, compared with 3.8 percent in 2011. Statnett is working to reduce absence due to illness. This involves adaptation of individual workplaces and various health-promoting and illness-reducing measures, including use of safety inspections and physical therapy treatment.

H value = number of lost time injuries per million hours worked

H value rolling average 2012

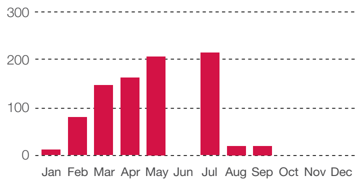


Number of lost time injuries 2012

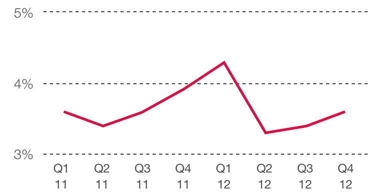


F value = number of days absence due to injuries per million hours worked

F-value 2012



Absence due to illness



Corporate social responsibility

Corporate social responsibility (CSR) is an integrated part of our fundamental values. It is at the very core of our management system and contains the tools we need to help us conduct our activities in the right way. Corporate social responsibility in Statnett is all about understanding the expectations of the community, and handling these expectations in a manner which generates mutual respect. The key elements are embedded in Statnett's objectives, which stipulate that Statnett will maintain security of supply through a grid with sufficient capacity and high quality, that Statnett's services will generate value for our customers and society at large, and that Statnett will pave the way for realisation of Norway's climate objectives. Corporate social responsibility in Statnett entails integration of social and environmental considerations in the company's day-to-day operations. Corporate social responsibility is embedded in the enterprise´s continuous corporate governance and in the enterprise's management and organisation. Please see the chapter on CSR in Statnett's annual report for more information about corporate social responsibility.

Environment and climate

Statnett's Environmental Management System is certified in accordance with ISO 14001:2004. Statnett is working to continuously improve the company's environmental performance and focuses on minimising the environmental impact of the company's operations as much as possible.

Statnett is working to reduce its own emissions of greenhouse gases by minimising the company's climate contributions with regard to own consumption, such as heating, cooling and operation of Statnett's offices and other buildings. Like Statnett's new administration building in Trondheim, the new head office in Oslo is an energy class A office building.

The largest sources of greenhouse gas emissions from Statnett's activities are leaks from the SF_6 facilities, emissions from mobile reserve power plants and passenger transport. In addition, emissions occur in connection with construction activities.

Emissions of SF_6 gas from Statnett's facilities increased by 69 percent, from 210 kg in 2011 to 354 kg in 2012. This corresponds to an environmental impact of 8 256 tonnes of CO2-equivalents in 2012. The increase was due to maintenance and refilling of several SF_6 facilities. The emissions for 2012 amounted to 0.3 percent of the total 113 tonnes of SF_6 gas in Statnett's facilities. This is below the normal level of leakages from facilities of this type.

Statnett owns two mobile reserve power plants, located at Tjeldbergodden and Nyhamna in Møre og Romsdal. They have been part of Statnett's preparedness plans since 2009 in case of a risk of rationing in central Norway. One reserve power plant in operation will have carbon emissions of 2 450 tonnes per day (0.68 tonnes/MWh), and are only put into operation in very strained power situations.

Air travel in Statnett totalled 8 790 410 km, corresponding to total carbon emissions of 1 179 tonnes. In addition, the use of private cars for work-related travel (excluding rental cars) totalled 1 278 249 km. Based on average carbon emissions of 134 g/km (for newer cars, the Norwegian Public Roads Administration), this corresponds to carbon emissions of 171 tonnes.

Corporate governance

Statnett is a state enterprise wholly owned by the Norwegian State through the Ministry of Petroleum and Energy.

Statnett's corporate governance principles clarify the distribution of roles among the owner, the Board of Directors and the general management. Statnett adheres to the Norwegian State's Principles for Good Corporate Governance and follows the recommendations laid down by the Norwegian Corporate Governance Board (NUES) to the extent permitted by the company's organisation. For more information about Statnett's compliance with NUES recommendations, please see the chapter on Corporate Governance.

Changes in the Board of Directors

At the Enterprise General Meeting on 27 June, Egil Gjesteland and Kristin Lian were elected to the board of Statnett SF. Gjesteland and Lian replaced Thor Håkstad and Grethe Høiland. At same meeting, Per Hjort was elected deputy chairman.

In connection with the Main Grid User Council being disbanded, the practice of appointing one representative from the users among the members of the board was discontinued. Maria Sandsmark was elected to the Board of Statnett SF at an extraordinary enterprise meeting on 11 January 2013. She replaced Kristin Lian who represented the users.

Outlook

Statnett's 2011 Grid Development Plan and updated investment plan for 2012 form the basis for the next generation main grid which will be completed by 2030. Consequently, Statnett will make grid investments of between NOK 50 and 70 billion in the next decade. Statnett currently holds a final licence for 17 percent of this portfolio. Statnett has a large project volume in the implementation phase. The coming period will be characterised by development and implementation. This will involve both new and upgrades of existing power lines and facilities. There will be intense construction activity in this period. This places great demands on Statnett when it comes to coordinating a number of projects in existing facilities while operating the power system. Statnett is strengthening operative preparedness to improve the ability to handle any unforeseen and critical incidents.

Statnett has several important projects under construction. There is currently particular focus on progress in the Sima - Samnanger project, as well as Ørskog - Sogndal, which are important power lines to secure supply to the Bergen area and central Norway, respectively. Statnett also has focus on completing the cable projects Ytre Oslofjord and Skagerak 4 to Denmark.

Statnett is working to realize the construction of interconnectors to Germany and the UK, which are scheduled for completion in 2018 and 2020 respectively. These projects are important for the development of the Northern European power grid and are a top priority for all parties involved. The projects will help ensure security of supply during cold and dry periods and contribute to balance variations in German and British renewable power production throughout the day. Power exchange capacity generates value in Norway. Moreover, the projects will support the ambition to increase generation of renewable energy throughout the region and the EU's climate and energy targets. Furthermore, the new interconnectors will contribute to the further integration of the Northern European power market.

To be able to implement the planned development projects according to schedule, Statnett is dependent on an efficient licensing process and an external supplier market that can offer sufficient capacity in the years to come. Statnett is eager to further improve collaboration with all involved parties to secure important input to the planning and realisation of new power lines. In this regard, initiatives have been taken in relation to local and regional authorities as well as other stakeholders. Among other initiatives, Statnett has strengthened cooperation with regional grid companies to ensure the best possible knowledge of local conditions.

Due to an increase in the enterprise's investment activities in new and existing grid facilities, Statnett's asset base will increase significantly. New facilities will be commissioned and some of the old facilities will be phased out. Statnett is concerned with managing the company's facilities in a uniform and prudent manner. PAS 55, which is a quality standard representing best practice for optimum asset management, will be one of several measures to ensure that Statnett maintains high cost efficiency in its operations and during the development of the next generation main grid.

In the autumn of 2012, the NVE submitted several regulations for consultation. The regulations relate to Statnett's responsibility for the system, for emergency preparedness, for operation and maintenance, as well as for planning and reporting, and will entail more tasks.

Statnett is involved in international cooperation both at a European and Nordic level. This work is important as many of the framework conditions are stipulated by the EU and are relevant for Norway through the EEA agreement. The establishment of a common European power market makes it necessary to harmonise the framework for the electricity market, as well as for system and grid operations. As the Norwegian hydropower system differs from the European system it is essential that the framework conditions are formulated to secure Norwegian security of supply and help promote value creation. The Nordic TSOs cooperate on many key issues at the European level.

ENTSO-E, of which Statnett is a member, has been assigned the task of preparing a proposal for European network codes for the power market. Statnett also cooperates with other grid companies and power exchanges in north-western Europe on the establishment of a common market algorithm which will calculate the price and flow of electricity for Norway, the Nordic region and Europe. This is expected to be launched in November 2013.

Statnett has experienced strong growth in recent years. Statnett is currently implementing a necessary restructuring of its organisation to increase the company's implementation ability. Most of this work is expected to be completed in 2013. Concurrently, Statnett is faced with a demand from customers and the authorities for a high degree of cost efficiency. In order to realise the benefits of our resource development, ongoing improvement work and improved use of the supplier market, the Group management and the Board of Directors have established a necessary goal which involves increasing productivity in the enterprise before the end of 2016.

The increased investments will result in higher tariffs in the years to come. Statnett has a balance for higher revenue at year-end 2012 which will be partly returned to Statnett's customers through reduced tariffs in 2013. This will also curb the increase in tariffs somewhat in the coming years.

The Storting has decided to disband the Main Grid User Council. To ensure continued good dialogue between users and customers, Statnett has established a Markets and Operation Forum. The representatives hold leading positions in companies and associates in the energy industry. Otherwise, Statnett is concerned to have a constructive dialouge with all stakeholders through the licensing process.

In accordance with Section 3-3a of the Norwegian Accounting Act, the Board of Directors confirms that conditions exist for continued operation of the enterprise on a going concern basis and that the annual accounts have been prepared under this assumption.

Allocation of profit

Its deliberations on Parlamentary bill to the Storting No.1 (2011-2012), the fiscal budget for 2012, the Norwegian government established a long-term dividend policy of 50 percent of the defined dividend basis up to and including the fiscal year 2015. The basis for the dividend is defined as the Group's net profit after tax, adjusted for changes in the balance for higher/lower revenue for the year after tax.

On the basis of the above, the Board of Directors therefore recommends that the annual profit from Statnett SF be allocated as follows:

Amounts in NOK million:

Dividend to owner	117
To other equity	690
Total	807

Declaration from the Board of Directors and President and CEO

We confirm that the financial statements for the period 1 January to 31 December 2012 have, to the best of our knowledge, been prepared in compliance with IFRS and that the disclosures in the financial statements give a true and fair picture of the enterprise's and the Group's assets, liabilities, financial position and results as a whole, and that the disclosures in the annual report give a true and fair overview of the development, results and position of the enterprise and the Group, together with a description of the most significant risk and uncertainty factors faced by the enterprises.

Oslo, 21 March 2013
The Board of Directors, Statnett SF

Kolbjørn Almlid
Chairman of the Board

Kirsten Indgjerd Værdal

Kjerstin Bakke

Per Hjorth
Styrets nestleder

Egil Gjesteland

Steinar Jøråndstad

Heidi Ekrem

Maria Sandsmark

Auke Lont
President and CEO

Pål Erland Opgård

The Board of Directors

Kolbjørn Almlid

Chairman of the Board

Elected in 2011

Kolbjørn Almlid is a qualified teacher. He ended his career in education as chief municipal education officer of Verran Municipality in 1991. During the period 1996-2005 he was a senior adviser in Innovation Norway and later on Division Director and Chief Executive Officer. Almlid was appointed state secretary of the Ministry of Petroleum and Energy during the Syse government (1989–1990). He was deputy Member of Parliament for Nord-Trøndelag county during the period 1989–1993 and chairman of Nord-Trøndelag county council from 1991 to 1995. He has also been the leader of the Norwegian Centre party in Nord-Trøndelag and a member of the party's central board. Furthermore, he was a member of the municipal council and county council for 12 and 14 years, respectively.

In recent years, Almlid has also served on a number of boards such as Nord-Trøndelag electricity company, ENFO and Mid-Gas. He was elected Chair of the Board in Statnett in June 2011.

Per Hjorth

Deputy Chairman

Elected in 2008

Hjorth is Managing Director of Newsec AS, a commercial real estate brokerage and consultancy firm. Hjorth also 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 holds a degree in Economics and Business Administration from BI Norwegian School of Management and has been a member of Statnett's Board of Directors since 2008. He was elected Deputy Chairman of the Board in Statnett in 2012.

Maria Sandsmark

Board member

Elected in 2013

Maria Sandsmark holds a doctorate in social sciences. She is a researcher for Møreforskning Molde AS where she is responsible for conducting socio-economic analyses. Sandsmark has been a consultant for ECON Analyse where she was responsible for assessing socio-economic issues relating to deregulated power markets for national and international power market players. Sandsmark has been a member of an expert committee appointed by the government to review the framework for socio-economic analyses.

Egil Gjesteland

Board member

Elected in 2012

Egil Gjesteland is currently Project Director for the Gassco Emden project. In addition, he runs his own oil and gas consulting company, Gjesteland Consulting AS. He holds an MSc in Chemical Engineering from the Norwegian Institute of Technology (NTH) and has worked for Statoil in Abu Dhabi. He has also been IT and Project Manager for a number of Statoil's oil and gas projects and was Project Director for the Snøhvit development on the Tromsø Patch for four years. Gjesteland has also been a lecturer at the BI MBA programme and UC Berkeley.

Heidi Ekrem

Board member

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.

Kirsten Indgjerd Værdal

Board member

Elected in 2009

Værdal has been Director of Agriculture with the County Governor of Nord-Trøndelag since 2007. 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.

Kjerstin Bakke

Board member, employee representative

Elected in 2010

Kjerstin Bakke has been employed by Statnett since 1994 and is currently Head of the department responsible for operation of substations in Southern Norway, a part of the Operations Divisions. Bakke has extensive experience from different areas in Statnett. She holds a Master of Science in Electrical Engineering from the Norwegian University of Science and Technology (NTNU).

Steinar Jøråndstad

Board member, 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.

Pål Erland Opgård

Board member, employee representative

Elected in 2010

Pål Erland Opgård was employed by Statnett in 1995. Since then he has been employed in the Regional Central North in Alta. Opgård holds a degree in engineering from Narvik University College. In 2010 Opgård was elected leader of the Norwegian Society of Engineers and Technologists (NITO) in Statnett. He has been a member of Statnett NITO Board since 1999.

Statement of comprehensive income

Parent company 2011	Parent company 2012	(Amounts in NOK million)	NOTE	Group 2012	Group 2011
		Operating revenue			
5 316	5 090	Operating revenue regulated operations	2	5 090	5 316
173	208	Other operating revenue	2	244	181
5 489	**5 298**	**Total operating revenues**		**5 334**	**5 497**
		Operating costs			
575	505	System services	3	505	575
854	591	Transmission losses	3	591	854
659	795	Salaries and personnel costs	14, 5, 4	802	660
786	814	Depreciation & write-downs tangible fixed assets	7, 6	827	798
1 068	1 145	Other operating costs	18	1 176	982
3 942	**3 850**	**Total operating costs**		**3 901**	**3 869**
1 547	**1 448**	**Operating profit**		**1 433**	**1 628**
-	-	Income from joint ventures and associates	13, 12	9	5
71	105	Financial income	8	95	80
412	376	Financial costs	8	375	356
1 206	**1 177**	**Profit before tax**		**1 162**	**1 357**
353	328	Tax	11	325	357
853	**849**	**Profit for the year**		**837**	**1 000**
		Other comprehensive income			
-51	-58	Changes in fair value, cash flow hedges	9	-58	-51
14	16	Tax related to other comprehensive income	11	16	15
-37	**-42**	**Other comprehensive income**		**-42**	**-36**
816	**807**	**Total comprehensive income**		**795**	**964**
		Disclosure of dispositions			
117	117	Proposed dividend			

Balance sheet

Parent company				Group	
31.12.2011	**31.12.2012**	*(Amounts in NOK million)*	**NOTE**	**31.12.2012**	**31.12.2011**
		ASSETS			
		Intangible fixed assets			
-	-	Goodwill		53	53
-	-	Other intangible fixed assets		13	13
-	**-**	**Total intangible fixed assets**		**66**	**66**
		Fixed assets			
17 152	17 621	Tangible fixed assets	6	17 877	17 396
2 437	4 277	Plants under construction	7	4 277	2 437
267	272	Investment in subsidiaries	12	-	-
36	36	Investment in associates	12	54	54
1 390	1 417	Financial fixed assets	10, 9	1 242	1 188
21 282	**23 623**	**Total fixed assets**		**23 450**	**21 075**
		Current assets			
1 186	1 064	Trade accounts and other short-term receivables	13, 10, 9	976	1 138
272	327	Market-based securities	10,9	668	600
917	561	Liquid assets	9	634	1 002
2 375	**1 952**	**Total current assets**		**2 278**	**2 740**
23 657	**25 575**	**Total assets**		**25 794**	**23 881**
		EQUITY AND LIABILITIES			
		Equity			
2 700	2 700	Contributed capital		2 700	2 700
5 289	5 979	Other equity accrued		6 255	5 577
7 989	**8 679**	**Total equity**		**8 955**	**8 277**
		Long-term liabilities			
343	443	Deferred tax	11	506	406
352	406	Pension liabilities	5	407	353
66	74	Other liabilities		75	66
11 110	12 623	Long-term interest-bearing debt	16, 10, 9	12 484	10 974
11 871	**13 546**	**Total long-term liabilities**		**13 472**	**11 799**
		Current liabilities			
2 302	1 906	Short-term interest-bearing debt	10, 9	1 906	2 302
1 224	1 234	Trade accounts payable and other short-term debt	10, 9	1 251	1 232
271	210	Tax payable	11	210	271
3 797	**3 350**	**Total current liabilities**		**3 367**	**3 805**
23 657	**25 575**	**Total equity and liabilities**		**25 794**	**23 881**

Oslo, 21 March 2013, Board of Directors Statnett SF

Kolbjørn Almlid *Chairman of the Board*	**Per Hjorth** *Deputy Chairman*	**Maria Sandsmark** *Board Member*	**Egil Gjesteland** *Board Member*	**Heidi Ekrem** *Board Member*
Kirsten Indgjerd Værdal *Board Member*	**Pål Erland Opgård** *Employee representative*	**Steinar Jørandstad** *Employee representative*	**Kjerstin Bakke** *Employee representative*	**Auke Lont** *President and CEO*

Statement of changes in equity

Parent company											Group
Contributed equity	Other items	Other equity accrued	Total equity	*(Amounts in NOK million)*	Total equity	Non con-trolling interest	Total equity allocated to owner of Statnett SF	Other equity accrued	Other items	Contri-buted capital	
2 700	**-3**	**4 791**	**7 488**	**01.01.2011**	**7 628**	**-22**	**7 650**	**4 953**	**-3**	**2 700**	
-	-	853	853	Profit/loss for the year	1 000	-21	1 021	1 021	-	-	
-	-37	-	-37	Other comprehensive income	-36	-	-36	-	-36	-	
-	-	-315	-315	Dividend declared	-315	-	-315	-315	-	-	
-	-	-	-	Acquisition subsidiary	-	43	-43	-43	-	-	
2 700	**-40**	**5 329**	**7 989**	**31.12.2011**	**8 277**	**-**	**8 277**	**5 616**	**-39**	**2 700**	
2 700	**-40**	**5 329**	**7 989**	**01.01.2012**	**8 277**	**-**	**8 277**	**5 616**	**-39**	**2 700**	
-	-	849	849	Profit for the year	837	-	837	837	-	-	
-	-42	-	-42	Other comprehensive income	-42	-	-42	-	-42	-	
-	-	-117	-117	Dividend declared	-117	-	-117	-117	-	-	
2 700	**-82**	**6 061**	**8 679**	**31.12.2012**	**8 955**	**-**	**8 955**	**6 336**	**-81**	**2 700**	

Cash flow statement

Parent company 2011	Parent company 2012	(Amounts in NOK million)	NOTE	Group 2012	Group 2011
		Cash flow from operating activities			
1 206	1 177	Profit before tax		1 162	1 357
-3	3	Loss/ gain (-) on sale of fixed assets	6	3	-3
786	814	Ordinary depreciation and write-downs	7, 6	827	798
-566	-271	Tax paid for the period	11	-271	-566
326	382	Interest for the period recognised in income statement	8	376	320
35	34	Interest received for the period	8	43	43
-332	-432	Interest paid for the period	8	-432	-332
595	47	Changes in trade accounts receivable/payable	9	65	503
-498	-366	Changes in other accruals	9	-338	-592
-	-	Result from companies consolidated using equity method	12	-9	-5
1 549	**1 388**	**Net cash flow from operating activities**		**1 426**	**1 523**
		Cash flow from investing activities			
12	52	Proceeds from sale of tangible fixed assets	6	52	12
-2 348	-3 130	Purchase of tangible fixed assets and plants under construction	7,6	-3 152	-2 384
-61	-	Change in investments in subsidiaries, associates and joint ventures	12	-	-
-30	-	Change in long-term loan receivables	9	-	-
-	15	Change in short-term loan receivables	9	-	-
8	35	Dividend received	12, 8	15	2
-2 419	**-3 028**	**Net cash flow from investing activities**		**-3 085**	**-2 370**
		Cash flow from financing activities			
2 782	5 903	Proceeds from new interest-bearing borrowings	9	5 903	2 781
-1 738	-4 439	Repayment of interest-bearing debt	9	-4 439	-1 738
88	112	Proceeds from sale of market-based securities	9	220	367
-50	-169	Purchase of market-based securities	9	-276	-375
-315	-123	Dividend paid and group contributions		-117	-315
767	**1 284**	**Net cash flow from financing activities**		**1 291**	**720**
-103	**-356**	**Net cash flow for the period**		**-368**	**-127**
1 020	917	Cash and cash equivalents at the start of the period	9	1 002	1 129
917	561	Cash and cash-equivalents at the close of the period	9	634	1 002

Restricted bank deposit amounting to NOK 83 million for the parent company and for the Group are included in cash and cash equivalents as at 31 December 2012.

Unused credit facilities of NOK 3 500 million are not included in cash and cash equivalents above.

Notes

NOTE 1 ACCOUNTING PRINCIPLES

General

Statnett SF (the parent company) is a Norwegian state-owned enterprise that was formed on 20 December 1991. The sole owner of Statnett SF is the Norwegian State, represented by the Ministry of Petroleum and Energy (MPE). Statnett has issued bond loans listed on the Oslo Stock Exchange. Statnett's registered head office from 11 march 2013 is at Nydalen allé 33, 0423 Oslo.

Basis for preparation of the finacial statements

The consolidated financial statements for the Statnett Group and the financial statements for the parent company, Statnett SF, have been prepared in compliance with the current International Financial Reporting Standards (IFRS), as 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 classified as "fair value carried through profit or loss" or "available for sale", are carried at fair value.
- The book value of hedged assets and liabilities is adjusted in order to register changes in fair value as a result of the hedging.
- Assets are measured at each reporting date with a view to impairment. If the recoverable amount of the asset is less than the book value, the asset is written down to the recoverable amount.

New accounting standards

Below follows a list of new, revised and additional standards and interpretations that had been announced as at 31 Dec. 2012, but that had not come into effect for the fiscal year 1 January - 31 December 2012. Only matters assumed to be relevant for Statnett have been included.

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 consolidated financial statements of the Statnett Group:

Amendments to IAS 19 employee benefits - pensions

Following the amendments to IAS 19 Employee Benefits (June 2011) ("IAS 19R") the use of the corridor method is no longer permitted for recognition of actuarial gains and losses. Actuarial gains and losses must now be recognised in their entirety in other revenues and costs (OCI) in the period they arise. This also entails that pension costs are split between ordinary result before tax and other revenues and costs (OCI). Projected yield on pension fund assets must be calculated using the discount rate calculated based on gross pension liability. Accrued pension rights and net interest charges for the period are presented in ordinary result before tax, whereas remeasurements such as actuarial gains and losses are presented under other revenues and costs (OCI) in the statement of comprehensive income. Furthermore, the amendments to the information requirements relating to defined-benefit pension plans have been amended. The amendments will apply for fiscal years starting on 1 January 2013. The Group will implement the amended standard as of 1 January 2013.

Following implementation of the amendment of IAS 19R, as of 1 January 2013, actuarial gains and losses as at 31 December 2012 will be recognised directly in equity (72 per cent) and in deferred tax (28 per cent). Unrecognised actuarial gains and losses as at 31 December 2012 total NOK 145 million (NOK 771 million as at 31 December 2011), see Note 5.

For amendments that are not considered to have any significant impact on the Group's application of accounting principles or notes to the accounts, cf. Note 20.

Important accounting esitmates and assumtions

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

Accounting estimates are used to determine some amounts that have an impact on Statnett's financial statements. This requires that Statnett prepares assumptions relating to values or uncertain conditions at the time of preparation. Key accounting estimates are estimates that are important to the Group's financial performance and results, requiring 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. Furthermore, it must be possible to measure the amount reliably and it must be demonstrated as probable that the liability will be settled. The provisions are measured to the best of the management's ability on the balance sheet date.

Insurance claims are considered a contingent asset and are 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 reliably estimated.

Significant items relating to Statnett's use of estimates:

Amounts in NOK million — **Group**

Item	Note	Estimate/assumptions	Book value
Property, plant and equipment	6	Recoverable amount and estimate of correct remaining useful life	17 887
Pension liabilities	5	Financial and demographic assumptions	407

Depreciation/amortisation

Tangible fixed assets

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 estimated useful life of the asset and thus the depreciation. It is difficult to predict technological developments, and Statnett's view of how quickly changes will come may change over time. If expectations change significantly, the depreciation will be adjusted with effect for future periods. Please refer to the more detailed discussion under "Tangible fixed assets" below.

Goodwill and other intangible assets

Goodwill arising in a business combination is not amortised. Intangible assets with a fixed useful life are amortised over the asset's useful life which is assessed at least once a year. Intangible assets are amortised in a straight line as this best reflects the use of the asset.

Write-downs

Tangible fixed assets

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 which are recorded in the balance sheet as plants 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 the 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.

Goodwill

Goodwill is evaluated for write-down annually or more frequently if there are any indications of impairment in value, based on the cash-generating unit to which goodwill is allocated. If the recoverable amount (the higher of net sales and utility value) for the cash-generating unit is lower than the carrying value, the write-downs will first reduce the carrying value of any goodwill and then the carrying value of the unit's other assets, proportionally based on the carrying value of the individual assets in the unit. The carrying value of individual assets is not reduced below the recoverable amount or zero. Write-downs of goodwill cannot be reversed in a subsequent period if the fair value of the cash-generating unit increases. Impairment of value is included in the income statement as a part of write-downs.

Other intangible assets

On each reporting date, the Group considers whether there are any indications of impairment in value for intangible assets. If there are any indications of impairment in value, the Group will estimate the recoverable amount for the assets and evaluate potential write-down.

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 deviations from estimates and assumptions (estimate deviations) affect the fair value of the net pension liabilities, but are not recognised in the income statement until 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 principles for equivalent transactions and other events under otherwise equal circumstances. The classification of items in the income statement and balance sheet has taken place in accordance with uniform definitions. The consolidated financial statements are prepared in accordance with the acquisition method of accounting and show the Group as if it was a single entity. Balances and internal transactions between companies within the Group are eliminated in the consolidated financial statements.

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 Pension Fund is not part of the Statnett Group. Contributed equity in the pension fund is measured at fair value and classified as financial 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. Result, assets and liabilities of joint ventures are recorded in the financial statements in accordance with the equity method. This means that the Group's share of the result 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. Ownership interests in joint ventures are presented as fixed asset investments at original cost plus accumulated profit shares and less dividends in the consolidated balance sheet.

Investment 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 result 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 associates are restated in accordance with IFRS. Ownership 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 reliably measured. 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.

Business combinations

Business combinations are recognised according to the acquisition method. Acquisition costs are the total of the fair value on the acquisition date of assets acquired, liabilities incurred or taken over as compensation for control of the acquired enterprise, plus costs which can be directly attributed to business combinations.

The acquired enterprise's identifiable assets, liabilities and contingent liabilities which satisfy the conditions for accounting according to IFRS 3, are recognised at fair value on the acquisition date. Goodwill arising as a result of acquisitions is recognised as an asset measured as the excess of the total consideration transferred and the value of the minority interests in the acquired company beyond the net value of acquired identifiable assets and assumed liabilities. If the Group's share of the net fair value of the acquired enterprise's identifiable assets, liabilities and contingent liabilities exceeds the total consideration after re-assessment, the surplus amount is immediately recognised in the income statement.

Segment reporting

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

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 with 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.

Permitted revenue, 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 for each common grid. The main national grid is a common grid. In a fiscal year, the actual revenues will deviate from the regulated revenues.

Permitted revenue - monopoly-regulated operations

Statnett owns transmission grids and is the Norwegian Transmission System Operator. These are monopoly-regulated operations. This means that the Norwegian Water Resources and Energy Directorate (NVE) sets an annual limit – permitted revenue – for Statnett's maximum revenues.

The basis for Statnett's permitted revenue is the revenue cap. The revenue cap is based on expenditure, including capital expenditure, for a retrospective period of two years. Operating costs for the system are also included. Statnett's revenue cap is regulated to ensure that Statnett has an incentive for efficient operations. In addition to the revenue cap, Statnett's permitted revenue consists of the following: Actual property tax, transit costs and a supplement for investments. The supplement for investments shall ensure that the year's investments are reflected in the permitted revenue for the year the investment is put into operation. Furthermore, Statnett's revenues are also adjusted for interruptions through quality-adjusted revenue cap for energy not supplied.

There can be uncertainty attached to measuring the individual amounts included in the permitted revenue. Increased revenue as a result of conditions that require an application for adjustment of the revenue caps or interpretation of the regulations on the part of the NVE, is only included in the accounts if it is considered all but certain that the revenue will be realised.

The revenue cap is recognised in the accounts at 1/12 per month.

Revenue cap transmission losses

Revenues

Transmission losses in the regional and main grid are a part of Statnett's revenue cap. The reported revenue cap for transmission losses during the fiscal year consists of the actual measured loss in MWh for a retrospective period of two years valued at a regulated reference price based on the electricity spot market price in the fiscal year. The revenue cap has been included in the accounting line "Operating revenues regulated operations".

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 grid owners in each common grid where Statnett is the operator.

Transmission losses

Transmission losses occur as a result of measured discrepancies between the input and outtake of power in the grid. The size of the loss will vary with the temperature, the load in the grid and the electricity price. Actual loss in the fiscal year is purchased externally at spot market 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 reported under "transmission losses".

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

Higher/lower revenue

The tariff for the year is set with a view to ensuring that the higher/ lower revenue is offset over time. Tariffs are set in September preceding the fiscal year. Statnett has established a strategy for adjustment of the tariff basis including offsetting of the accumulated higher/lower revenue. Some quantities and parameters, including the price of energy which is included in the calculation basis for the year's revenue cap, are based on estimates. Discrepancies will occur between tariff revenues and the permitted revenue. This is indicated in Note 2.

Higher/lower revenue interest calculations

Interest is calculated on accumulated higher/lower revenue in accordance with the rules stipulated by the NVE, based on the site deposit rate set by the Central Bank of Norway. The amount of interest is included in the balance for higher/lower revenue and is expressed in the financial reporting through regulation of future tariffs. This is shown in Note 2.

Power purchases and sales

Statnett is the Transmission System Operator (TSO) and is responsible for the regulating power market 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 carries out the financial settlement between the market participants. The settlement is based on the prices in the regulating power market. The purchase and sale of regulating power must be balanced. Statnett receives a fee covering Statnett's costs as responsible for the balance settlement. 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 charged to Statnett as the TSO.

Statnett has a separate licence as responsible for the balance settlement. This activity is recorded in the financial statement through fee revenues and costs relating to the execution of the balance settlement responsibility. Power purchases and sales are recognised as net and are therefore not expressed in the statement of comprehensive income. 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. Invoiced 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 costs in the income statement encompass both the tax payable for the period and changes in the deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income 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-increasing or tax-reducing temporary differences that are reversed or may be reversed 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 fiscal 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.

Plants 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.

Development projects start off with a feasibility and alternative study. The project is recognised in the balance sheet when the conclusion from the study is available, and the main development concept has been selected. At this point, a licence has not been granted and no final investment decision has been made. Statnett's experience is that once a main concept has been selected for the development, it is highly likely that the project will be implemented.

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 costs related to the company's own plants under construction are capitalised in the balance sheet. The interest is calculated based on the average borrowing interest rate and scope of the investment, as the funding is not identified specifically for individual projects. Interest is recorded in the income statement through depreciation based on the associated asset's anticipated economic life.

Tangible fixed assets

Tangible fixed assets are carried at cost price 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 implemented 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 differing useful lives.

The estimated useful life, depreciation method and residual value are assessed once a year. The value 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 a collective revenue cap. In subsidiaries, each fixed asset is assessed 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 minor amounts and are recognised in the income statement in the year in which the payment is disbursed.

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/cables). Even though maintenance is periodic for the individual transformer station or power lines/cables, it is not considered to be periodic for the entire grid as the grid as a whole is regarded as a 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 scrapping.

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

Intangible asset

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

Goodwill

Goodwill is not amortised. Goodwill does not generate cash flows independently of other assets or groups of assets, and is allocated to the cash-generating units expected to benefit from the synergy effects of the business combination that generated the goodwill. Cash-generating units allocated to goodwill are evaluated for write-down annually or more often if there are any indications of impairment in value. If the recoverable amount (the higher of the net sales and utility value) for the cash-generating unit is lower than the carrying value, the write-downs will first reduce the carrying value of any goodwill and then the carrying value of the unit's other assets, proportionally based on the carrying value of the individual assets in the unit. The carrying value of individual assets is not reduced below the recoverable amount or zero. Write-downs of goodwill cannot be reversed in a subsequent period if the fair value of the cash-generating unit increases. Impairment of value is included in the income statement as a part of write-downs.

Write-down of tangible fixed assets and intangible assets other than goodwill

On each reporting date, the Group considers whether there are any indications of impairment in value for tangible fixed assets and intangible assets. If there are any indications of impairment in value, the Group will estimate the recoverable amount for the assets and evaluate potential write-down.

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

Financial lease agreements are lease agreements where the lessee takes over the major part of the risk and return associated with the ownership of the asset. 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 agreement period. 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 in a straight line over the lease period. 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 in a straight line in the income statement over the duration of the agreement.

Research & development

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

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

Capitalised development expenses are depreciated in a straight line over the estimated useful life of the asset.

Trade receivables

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.

Contingent assets will not be recorded in the annual financial statements, but will be disclosed if there is a certain degree of 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.

Dividend (from the parent company)

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

Pensions and pension liabilites

The Group's liability relating to pension schemes, defined as defined-benefit pension schemes, is recognised at the present value of the future retirement benefits accrued at the end of the reporting period. Pension assets are evaluated at fair value. The accumulated effect of estimate changes and changes in financial and actuarial assumptions, actuarial gains and losses, less than 10 per cent of the higher of the defined pension liabilities and pension assets at the start of the year, is not included. When the accumulated effect exceeds 10 per cent, the excess is included in the income statement over the estimated average remaining service period for the employees covered by the scheme. Net pension costs for the period are presented as salaries and personell cost.

The contributions to contribution-based pension plans are recognised as costs as they occur.

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 according to 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, transferred or 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 initially recognised at fair value on 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 free-standing 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, 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 the financial result. 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 re-measured 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. Fair value 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
Cash flow hedging is hedging of the exposure to the variations in cash flow that are attributable to a particular risk associated with a recognised asset or liability, or a highly probable future 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 initially recognised as other comprehensive income are reclassified and recognised in the income statement as financial income or cost when the hedged transaction affects the profit or loss.

If the expected future 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 future 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 for loans with floating interest rates.

Financial risk management

Financial 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 guidelines for general financial risk management in addition to guidelines that cover specific financial risks.

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 currency are translated at the rate in effect on the transaction date. 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 transaction date. 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 reporting period.

Long-term interest-bearing debt in foreign currency is related to interest rate and currency 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 reliably measured. Provisions are reviewed on each balance sheet date and the level reflects the best estimate of the liability. If there is a substantial time effect, the liability will be accounted for at the present value of future liabilities.

Goverment grants

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

Events since the balance sheet date

New information on the group'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 position on the balance sheet date, but will affect the group's position in the future, are disclosed if they are material.

NOTE 2 OPERATING REVENUES

Operating revenues regulated operations

Statnett's revenues are mainly derive from activities regulated by the NVE. Statnett's actual operating revenues from regulated operations come from fixed and variable tariff revenues in the main grid and regional grid, as well as congestion revenues.

Each year the NVE set an upper limit, or cap, for Statnett's permitted revenue. This item corresponds to Statnett's revenue cap including amendment in the revenue cap for each year.

A discrepancy arises annually between Statnett's actual operating revenues from regulated operations (the total of the tariff and congestion revenues) and Statnett's permitted revenue determined by the NVE. This discrepancy is called higher or lower revenue. Higher revenue means that Statnett has had higher actual 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 permitted revenue cap.

Pursuant to NVE regulations any higher revenues, including interest, must be returned to the customers in the form of lower prices in subsequent years. Correspondingly lower revenues, including interest, can be recouped by charging higher prices in subsequent years. The obligation to reduce future tariffs and the opportunity to collect increased tariffs do not qualify for capitalisation according to IFRS, consequently representing a latent obligation (in the event of accumulated higher revenue) and a latent receivable (in the event of accumulated lower revenue). Consequently, an annual change in these items will not be included in the income statement.

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

Specification of income by regional grid (R Grid) and the main grid (M Grid)

(Amounts in NOK million)

Operating revenues	R Grid	M Grid	Total 2011	R Grid	M Grid	Total 2012
Tariff revenues fixed element generation	29	964	993	28	940	968
Tariff revenues fixed element consumption	33	2 852	2 885	42	2 720	2 762
Other rental income	78	75	153	84	46	130
Tariff revenues energy element	-7	784	777	-	586	586
Congestion revenues	-	768	768	-	877	877
Income from other owners in shared grids	-38	-222	-260	-47	-186	-233
Total operating revenues regulated activities	**95**	**5 221**	**5 316**	**107**	**4 983**	**5 090**
Permitted revenue						
Revenue cap without grid losses	88	2 604	2 692	91	2 902	2 993
Revenue cap, grid losses	21	867	888	12	555	567
Supplement to revenue cap	4	712	716	1	465	465
Total permitted revenue	**113**	**4 183**	**4 296**	**104**	**3 921**	**4 025**
This year's provision for interest higher/lower (-/+) revenue	-	-44	-44	-	-45	-45
This year's higher/lower (-/+) revenue	18	-1 038	-1 020	-6	-1 058	-1 065
Higher/lower (-/+) revenue decision as at 31 December 2011	-	-	-	40	232	272
This year's changed balance for higher/lower (-/+) revenue	**18**	**-1 082**	**-1 064**	**34**	**-872**	**-838**
Balance higher/lower (-/+) revenue, incl. interest as at 1 Jan.	-18	-1 535	-1 553	-	-2 617	-2 617
Changed balance for higher/lower (-/+) revenue, incl. interest	18	-1 082	-1 064	34	-872	-838
Balance higher/lower (-/+) revenue, incl. interest as at 31 Dec.	**-**	**-2 617**	**-2 617**	**34**	**-3 489**	**-3 455**

Total operating revenues from regulated operations fell by NOK 226 million from 2011 to 2012, mainly due to lower tariff revenues as a result of lower stipulated tariffs for 2012 compared with 2011.

Statnett has received the decision from the NVE for the higher/lower revenue balance as at 31 December 2011. This reduced the main grid higher revenue balance by NOK 232 million. For the regional grid the decision entails a reduction in higher revenue of NOK 40 million, resulting in a lower revenue balance of NOK 34 million as at 31 December 2012. The adjustment of the regional main grid lower revenue was mainly related to the fact that tariffs for previous years did not include quality-adjustment revenue of the cap for energy not supplied.

Other operating revenues

Other operating revenues are revenues outside of the regulated operations and consist of mainly external consultancy commissions and rental income.

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

Balance settlement

Statnett SF has a special licence to manage the regulating power settlement system in Norway. This involves effectuating a financial settlement of the difference the market participant have between planned electricity consumption and actually measured values. This market is referred to as the regulating power market. Participant in the regulating power market 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 operator)
3. Access to power, either generation, bilaterally or at Nord Pool Spot. Most regulating power participants are also participants at Nord Pool Spot, in which case the member agreement is used (between Nord Pool Spot and the customer).

In 2012, the revenues for this service totalled NOK 87 million, including fee revenues of NOK 24 million. Outstanding trade account receivables relating to the balance settlement totalled NOK 41 million as at 31 December 2012 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 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 any other 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 1 254 million at year-end. The security posting requirement for regulating power members on the same date was NOK 788 million. All regulating power members had posted satisfactory security under the Balance Agreement.

NOTE 3 SYSTEM SERVICES AND TRANSMISSION LOSSES

System services

Parent company			Group	
2011	**2012**	*(Amounts in NOK million)*	**2012**	**2011**
5	22	Net regulating and peak power	22	5
199	98	Primary reserves	98	199
0	12	Secondary reserves	12	0
31	65	Tertiary reserves	65	31
98	126	Transit costs	126	98
173	124	Special adjustments	124	173
69	58	Other system services	58	69
575	**505**	**Total system services**	**505**	**575**

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

The frequency in the power grid must be 50Hz. Statnett, as Transmission System Operator (TSO), is responsible for ensuring that this frequency remains stable. The requirement to maintain a reserve capacity for regulating purposes imposes limitations on the producers as they are unable to generate and sell the full generator capacity. We distinguish between three different forms of reserve capacity.

Primary regulation

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

Secondary reserves

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

Tertiary regulation

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

Transit costs

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

Special adjustments

In some cases there are restrictions in the transmission capacity (bottlenecks) which make it impossible to utilise the bids in the regulating power market in the ”correct” price order. These adjustments are categorised as special adjustments and are compensated for by the associated price of the bid without this affecting the stipulation of the regulating power price. Thus, Statnett will incur a cost equal to the difference between the price of activated bids used for special adjustments and the current hourly price mainly aimed at the regulating power market multiplied by the especially adjusted volume.

Transmission losses

Statnett buys transmission losses (volume) from external suppliers at spot price (market price) for the hour the transmission loss applies.
The main grid transmission loss result is distributed between the grid owners in accordance with their proportionate shareholding in the main grid. 6.7 per cent of the facilities are owned by other companies than Statnett SF.

Parent company			Group	
2011	**2012**		**2012**	**2011**
2 322	2 465	Volume (GWh)	2 465	2 322
367	241	Price (NOK/MWh)	241	367
		(Amounts in NOK million)		
852	593	Transmission losses	593	852
2	-2	Transmission losses result other	-2	2
854	**591**	**Total transmission losses**	**591**	**854**

NOTE 4 SALARIES AND PERSONNEL COSTS

Parent company			Group	
2011	2012	*(Amounts in NOK million)*	2012	2011
633	684	Salariies	692	641
104	122	Employer's national insurance contributions (NICs)	124	105
130	211	Pension costs (Note 5)	212	131
75	78	Other benefits	74	66
942	**1 095**	**Total salaries costs**	**1 102**	**943**
-283	-300	Of which own investment projects	-300	-283
659	**795**	**Net salaries costs**	**802**	**660**
900	973	Number of full-time equivalents	986	913

Loans to employees

Employees had loans in the company totalling NOK 1 million as at 31 December 2012. The loans are repaid by wage deductions over a period of up to two years. The loans are interest-free for the employee. The interest gain of loans exceeding 3/5 of the basic amount is taxed in relation to the current standard interest rate set by the authorities.

NOTE 5 PENSIONS AND PENSION LIABILITIES

The parent company and subsidiaries have pension schemes entitling the employees to future pension benefits in the form of 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 wage at retirement age. The full retirement is 70 per cent of pensionable income less calculated disbursements under the Norwegian National Insurance Scheme. The pensionable income is limited upward to 12 times the basic amount under the National Insurance Scheme. The full contribution period is 30 years and the normal retirement age is 67. The pension scheme also includes disability pensions, spouse pensions and children's pensions.

Accrued pension rights are secured chiefly through pension schemes in Statnett SF's Group Pension Fund (Statnett SF´s pensjonskasse). In addition, the parent company has early retirement pension obligations that are funded through operations.

Contributions to the pension fund are made in accordance with actuarial calculations. The pension assets in Statnett SF´s pensjonskasse are invested primarily in securities. See the table relating to percentage distribution of pension assets in investment categories.

The Group management has separate additional agreements under which the normal retirement age is 65, but with the possibility of retirement after reaching the age of 62. The retirement pension is 66 per cent of the pensionable income. The pensionable income also includes incomes that exceeds 12 times the basic amount under the National Insurance Scheme.
For personnel employed after 1 March 2011, additional agreements will be entered into exceeding 12 times the Norwegian national insurance scheme's basic amount within the framework of the Guidelines relating to terms of employment for senior executives in state-owned enterprises and companies, stipulated on 31 March 2011.
For more information, cf. Note 14 Remuneration/benefits to the Group management. Annual premium payments will be limited to 30 per cent of the salary exceeding 12 G.

The Group is a member of the private contractual early retirement scheme (AFP scheme) that came into force in 2011. The scheme entails that employees will receive a lifelong supplement to the national insurance retirement pension. The pension can be drawn from age 62, also if an employee decides to keep working. The AFP scheme is a defined-benefit multi-company scheme organised through a general office and financed through premiums stipulated as a percentage of the salaries. There is no reliable way of measuring and allocating liabilities and assets under the scheme. Consequently, the scheme is treated as a defined contribution scheme, according to the accounting rules, and premium payments are recognised on a current basis, and no provisions are made in the accounts. The premium for 2012 is 1.75 per cent of overall wage payments between 1G and 7.1G to the company's employees, estimated at NOK 8 million. There is currently no accumulation of funds under the scheme, and premiums are therefore expected to increase in the time ahead.

The old AFP scheme will be discontinued from 1 January 2011. Spekter will remain the Group's contracting party under the scheme which now only applies to personnel born before 1 December 1948 who drew a pension from the scheme on 1 December 2010 at the latest.

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.

The net pension liabilities in 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 realised in the income statement. The net pension liabilities are reported as provisions for liabilities.

Employees who leave the enterprise before retirement age receive a paid-up policy. The paid-up policies are managed 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 2013 as en estimate of the situation at 31 December 2012.

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.

Parent company			Group	
2011	**2012**	**Members of the pension scheme**	**2012**	**2011**
1 328	1 419	Members of the pension fund	1441	1 347
338	364	Of which pensioners	368	341
990	**1 055**	**No. of active pension scheme members**	**1073**	**1 006**

Financial/actuarial assumptions, parent company and Group	**2012**	**2011**
Discount rate corporate covered bonds (OMF)	3,90%	-
Discount rate	-	2,60%
Expected return on pension assets	4,00%	4,10%
Expected wage adjustments	3,50%	3,50%
Expected pension adjustments	3,25%	3,25%
Expected adjustment of basic amount (G) under NIS	3,25%	3,25%
Remaining service period	19 years	16 years

Percentual breakdown of pension assets into investment categories, parent company and Group as at 31 December.	**2012**	**2011**
Property	5%	4%
Held-to-maturity bonds	30%	32%
Norwegian bonds	22%	26%
Foreign bonds	5%	4%
High-interest bonds	4%	0%
Norwegian money market	12%	13%
Foreign shares	15%	15%
Norwegian shares	4%	4%
Bank deposits	3%	2%
Total	**100%**	**100%**

Pension costs

Parent company			Group	
2011	**2012**	**Defined benefit schemes** *(Amounts in NOK million)*	**2012**	**2011**
125	181	Present value of this year's pension contributions	182	126
56	49	Interest cost of pension liability	49	57
-51	-51	Expected return on pension assets	-51	-51
-23	32	Actuarial gains/losses in income statement	32	-1
130	**211**	**Net pension costs**	**212**	**131**
18	30	Employer's contributions	30	18
148	**241**	**Net pension costs, incl. employer's cont.**	**242**	**149**

The expected pension premium for 2013 is NOK 150 million for the parent company and NOK 151 million for the Group.

Secured and unsecured pension liabilities and pension assets

Parent company			Group	
2011	**2012**	**Defined-benefit schemes** *(Amounts in NOK million)*	**2012**	**2011**
		Change in gross pension liability		
1 685	2 293	Gross pension liability at 1 Jan.	2 310	1 699
139	198	Present value of the year's pension contributions	200	140
64	57	Interest costs of pension liability	57	65
447	-626	Actuarial gains and losses	-631	450
-16	-22	Employer's contribution on premium paid	-22	-17
-26	-30	Disbursed pension/paid-up policies	-30	-27
2 293	**1 870**	**Gross pension liabilities as at 31 Dec.**	**1 884**	**2 310**
		Change in gross pension assets		
1 028	1 177	Fair value of pension assets at 1 Jan.	1 187	1 038
58	51	Actual return on pension assets	51	58
-4	-38	Actuarial gains and losses	-37	-4
116	155	Premium paid	156	117
-21	-25	Pension/paid-up policies disbursed	-25	-22
1 177	**1 320**	**Actual value of pension assets as at 31 Dec.**	**1 332**	**1 187**
1 116	**550**	**Net pension liabilities as at 31 Dec.**	**552**	**1 123**
-765	-144	Estimate variances not rec. in income statement	-145	-771
351	**406**	**Net capitalised pension liability incl. employer's contribution at 31 Dec.**	**407**	**352**
344	**352**	**Net pension liabilities as at 1 Jan.**	**353**	**345**
145	235	Pension costs recognised in income statement	236	147
-138	-181	Premium payments (excl. adm. expenses)	-182	-140
351	**406**	**Net capitalised pension liabilities incl. employer's contr. at 31 Dec.**	**407**	**352**
-	**-**	**Capitalised pension assets at 31 Dec.**	**-**	**-**
344	**406**	**Capitalised pension liabilities at 31 Dec.**	**407**	**352**
2 149	**1 764**	**Gross secured pension liabilities at 31 Dec.**	**1 778**	**2 166**
144	**106**	**Gross unsec. pension liabilities at 31 Dec.**	**106**	**144**

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

Parent company	2012	2011	2010	2009	2008
Gross defined-benefit pension liabilities at 31 Dec.	1 870	2 294	1 685	1 657	1 595
Fair value of pension assets at 31 Dec.	1 320	1 177	1 028	877	762
Net defined-benefit pension liabilities	550	1 117	657	780	833
Net defined-benefit pension liabilities in income statement	-144	-765	-313	-411	-491
Book pension liabilities	**406**	**352**	**344**	**369**	**342**
Changes in estimate variances for the year					
Discount rate	-625	530			
Rate of return assets	37	4			
Salaries growth	-	-82			
Adjustments to G	-	22			
Pension adjustments	-34	-105			
Member movements	-	83			
Total changes in estimate variances for the year	**-622**	**452**			

Group	2012	2011	2010	2009	2008
Gross defined-benefit pension liability at 31 Dec.	1 884	2 311	1 699	1 670	1 608
Fair value of pension assets at 31 Dec.	1 332	1 184	1 038	886	770
Net defined-benefit pension liabilities	552	1 124	661	784	838
Estimate variances not recognised in income statement	-145	-771	-316	-415	-496
Book pension liability	**407**	**353**	**345**	**369**	**342**
Changes in estimate variances for the year					
Discount rate	-626	533			
Rate of return assets	37	4			
Salaries growth	-	-82			
Adjustments to G	-33	22			
Pension adjustments	-	-106			
Member movements	-	84			
Total changes in estimate variances for the year	**-622**	**455**			

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 Statnett.

The following estimates and estimated pension costs for 2012 are based on the facts and circumstances at 31 December 2012. Actual results may differ significantly from these estimates.

Pension liabilities and costs	Current assumptions	Discount rate		Annual salaries growht and change in basic amount (G)		Annual adjustment of pensions	
Change in percentage points		**-1%**	**+1%**	**-1%**	**+1%**	**-1%**	**+1%**
(Amounts in NOK million)							
Parent company							
Pension cost before adjustment for interest costs and return on pension assets (SC)	156	203	121	138	178	137	181
Defined-benefit pension liabilities - minimum pension liability (ABO)	1 433	1 719	1 213	1 433	1 433	1 273	1 626
Defined-benefit pension liabilities - present value of pension liability (PBO)	1 798	2 200	1 493	1 677	1 938	1 597	2 039
Group							
Pension cost before adjustment for interest costs and return on pension assets (SC)	158	205	123	139	180	138	182
Defined-benefit pension liabilities - minimum pension liability (ABO)	1 444	1 732	1 222	1 444	1 444	1 283	1 626
Defined-benefit pension liabilities - present value of pension liability (PBO)	1 812	2 216	1 505	1 690	1 953	1 609	2 057

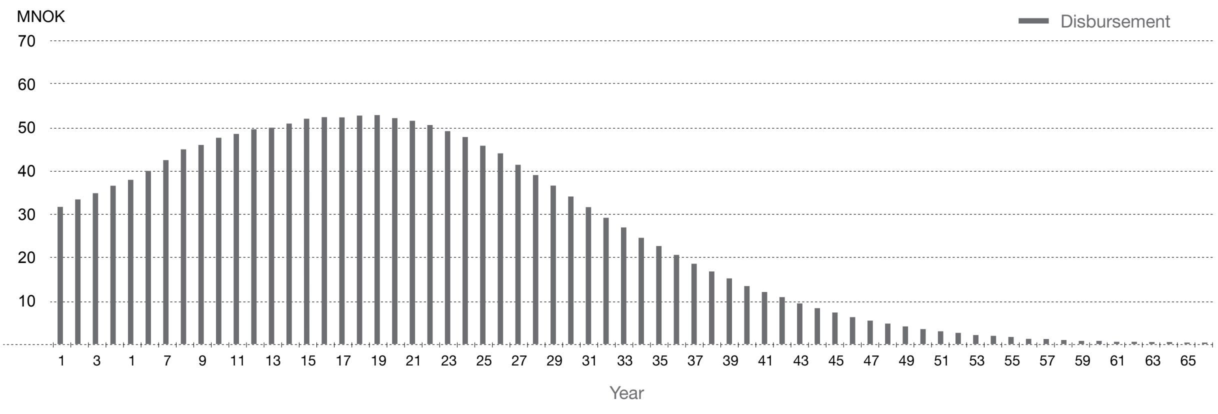
Risk tables for mortality and disability are based on tables in general use in Norway updated with historical data from the life companies' population. These data entail an adjustment of available tables in the form of increased life expectancy and increased disability probability. The average life expectancy 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.

	Probability of disability		Probability of death		Life expectancy	
Age	**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 21 years based on the pension assumptions at 31 Dec. 2012. Average weighted maturity has been taken into account when choosing discount rate.

Current value of future disbursements at 31 Dec. 2012



NOTE 6 TANGIBLE FIXED ASSETS

Parent company

(Amounts in NOK million)	Electrotechnical equipment	ICT equipment	Buildings and land	Other operating equipment	Total
Acquisition cost at 1 Jan. 2011	**21 435**	**1 243**	**2 191**	**248**	**25 117**
Additions, acquisition cost	1 193	217	307	58	1 775
Disposals, acquisition cost	158	132	9	11	310
Acquisition cost at 1 Jan. 2011	**22 470**	**1 328**	**2 489**	**295**	**26 582**
Additions, acquisition cost	544	261	435	76	1 316
Disposals, acquisition cost	110	105	6	13	234
Acquisition cost at 31 Dec. 2012	**22 904**	**1 484**	**2 918**	**358**	**27 664**
Ordinary depreciation at 1 Jan. 2011	**7 512**	**853**	**438**	**139**	**8 942**
Ordinary depreciation for the year	583	103	73	27	786
Disposals, ordinary depreciation	158	129	3	8	298
Ordinary depreciation at 1 Jan. 2012	**7 937**	**827**	**508**	**158**	**9 430**
Ordinary depreciation for the year	567	132	79	34	812
Disposals, ordinary depreciation	81	102	3	13	199
Ordinary depreciation at 31. Dec. 2012	**8 423**	**857**	**584**	**179**	**10 043**
Book value at 31 Dec. 2011	**14 533**	**501**	**1 981**	**137**	**17 152**
Book value at 31. Dec. 2012	**14 481**	**627**	**2 334**	**179**	**17 621**
Of which financial leasing:					
31. Dec. 2011	225	99	204	-	528
31. Dec 2012	217	98	189	-	504
Acquisition cost for tangible fixed assets fully depreciated, but still in use	1 046	526	50	80	1 702
Depreciation rate (straight-line) in percentage	2 - 7	5 - 33	0 - 2	10 - 33	

Group

(Amounts in NOK million)	Electrotechnical equipment	ICT equipment	Buildings and land	Other operating equipment	Total
Acquisition cost at 1 Jan. 2011	**21 435**	**1 243**	**2 191**	**508**	**25 377**
Additions, acquisition cost	1 193	217	307	91	1 808
Disposals, acquisition cost	158	132	9	12	311
Acquisition cost at 1 Jan. 2012	**22 470**	**1 328**	**2 489**	**587**	**26 874**
Additions, acquisition cost	544	261	435	102	1 342
Disposals, acquisition cost	110	105	6	14	235
Acquisition cost at 31 Dec. 2012	**22 904**	**1 484**	**2 918**	**675**	**27 981**
Ordinary depreciation at 1 Jan. 2011	**7 512**	**853**	**438**	**178**	**8 981**
Ordinary depreciation for the year	583	103	73	37	796
Disposals, ordinary depreciation	158	129	3	9	299
Ordinary depreciation at 1 Jan. 2012	**7 937**	**827**	**508**	**206**	**9 478**
Ordinary depreciation for the year	567	132	79	47	825
Disposals, ordinary depreciation	81	102	3	13	199
Ordinary depreciation at 31. Dec. 2012	**8 423**	**857**	**584**	**240**	**10 104**
Book value at 31. Dec. 2011	**14 533**	**501**	**1 981**	**381**	**17 396**
Book value at 31. Dec. 2012	**14 481**	**627**	**2 334**	**435**	**17 877**
Of which financial leasing:					
31 Dec. 2011	225	99	204	-	528
31 Dec. 2012	217	98	189	-	504
Acquisition cost for tangible fixed assets fully depreciated, but still in use	1 046	526	50	80	1 702
Depreciation rate (straight-line) in percentage	2 - 7	5 - 33	0 - 2	10 - 33	

The category electro-technical equipment mainly comprises installations in transformer and switching stations, overhead lines and earth and subsea cables.

Installations in transformer and switching stations have varying depreciation periods. Transformers and other main components have a depreciation period of 30-50 years. Control systems normally have a depreciation period of 15 years.

Overhead lines have a depreciation period of 55 years. Earth/subsea cables have a 40-55-year depreciation period.

Financial leasing is paid for in full in advance. This means that there are no future lease obligations related to financial leasing.

NOTE 7 PLANTS UNDER CONSTRUCTION

Parent company			Group	
2011	**2012**	*(Amounts in NOK million)*	**2012**	**2011**
1 857	2 429	Acquisition cost at 1 January	2 429	1 857
2 108	3 152	Additions during the year	3 152	2 108
-1 533	-1 339	Transferred to tangible fixed assets	-1 339	-1 533
-3	-9	Write-offs	-9	-3
2 429	**4 233**	**Acquisition cost at 31 December**	**4 233**	**2 429**
-8	-2	Accumulated write-downs	-2	-8
16	46	Effect, hedged forward exchange contracts	46	16
2 437	**4 277**	**Balance sheet value at 31 December**	**4 277**	**2 437**

Specification of additions during the year:

Parent company			Group	
2011	**2012**	*(Amounts in NOK million)*	**2012**	**2011**
1 297	2 104	Materials and subcontractors	2 104	1 297
283	300	Salaries, social security costs	300	283
459	645	Other operating costs	645	459
2 039	**3 049**	**Total operating costs**	**3 049**	**2 039**
69	103	Construction interest	103	69
2 108	**3 152**	**Total**	**3 152**	**2 108**

	2012	2011
Average capitalisation rate used to determine the loan expense amount that can be capitalised:	3,34%	3,41%

Major contractual obligations, projects as at 31 Dec. 2012

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

(Amounts in NOK million)

Project	Future contractual obligations	Accrued costs
Ørskog-Sogndal	1 637	1 143
Skagerrak 4	705	566
Ytre Oslofjord	373	187
Voltage upgrades Eastern Corridor	264	107
Upgrading of Statnett's central operations system	107	196
Varangerbotn - Skogfoss	60	333
Total	**3 146**	**2 532**
Other		1 745
Total plants under construction		**4 277**

NOTE 8 FINANCIAL ITEMS - PROFIT/LOSS

Parent company			Group	
2011	**2012**	*(Amounts in NOK million)*	**2012**	**2011**
		Financial income		
6	20	Income from investment in subsidiaries	-	-
2	15	Income from investment in associates	-	-
43	42	Interest income	48	55
-2	-2	Change in value of derivatives	-2	-2
19	30	Gain on exchange	30	19
3	-	Other financial income	19	8
71	**105**	**Total financial income**	**95**	**80**
		Financial costs		
374	435	Interest costs	430	374
-69	-103	Capitalised construction interest	-103	-69
13	37	Loss on exchange	38	13
94	8	Other financial costs	10	38
412	**377**	**Total financial costs**	**375**	**356**

NOTE 9 FINANCIAL ITEMS - BALANCE SHEET

Financial assets and liabilities

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

The fair value of financial assets and long-term liabilities accounted for at amortised cost has been calculated:

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

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

Included in liquid assets as at 31 December 2012 are reserved tax withholdings of NOK 50 million and securities to Nord Pool Spot AS of NOK 33 million in the parent company. Corresponding figures for the Group are NOK 50 million and NOK 33 million respectively.

(Amounts in NOK million) Parent company	Category	2012 Book value	2012 Fair value	2011 Book value	2011 Fair value
Assets					
Fixed assets					
Long-term receivables	Loans and receivables	300	300	199	199
Subord. capital in Statnett SFs pension fund	Fair value through profit/loss	75	75	75	75
Financial assets available for sale	Available for sale	5	5	5	5
Derivatives	Fair value through profit/loss	1 037	1 037	1 111	1 111
Total fixed asset investments		**1 417**	**1 417**	**1 390**	**1 390**
Current assets					
Trade accounts receivable	Loans and receivables	199	199	137	137
Derivatives	Fair value through profit/loss	3	3	364	364
Other short-term receivables	Loans and receivables	862	862	685	685
Total trade accounts and other short-term receivables		**1 064**	**1 064**	**1 186**	**1 186**
Investment in market-based securities	Fair value through profit/loss	**327**	**327**	**272**	**272**
Liquid assets	Fair value through profit/loss	**561**	**561**	**917**	**917**
Liabilities					
Long-term interest-bearing debt	Other liabilities	12 375	12 482	11 018	11 125
Derivatives	Fair value through profit/loss	248	248	92	92
Total long-term interest-bearing debt		**12 623**	**12 730**	**11 110**	**11 217**
Short-term interest-bearing debt	Other liabilities	1 884	1 885	2 298	2 305
Derivatives	Fair value through profit/loss	22	22	4	4
Total short-term interest-bearing debt		**1 906**	**1 907**	**2 302**	**2 309**
Trade accounts payable and other short-term debt	Other liabilities	**1 234**	**1 234**	**1 224**	**1 224**

(Amounts in NOK million) Group	Category	2012 Book value	2012 Fair value	2011 Book value	2011 Fair value
Assets					
Fixed assets					
Long-term receivables	Loans and receivables	125	125	-	-
Subord. capital in Statnett SF's pension fund	Fair value through profit/loss	75	75	75	75
Financial assets available for sale	Available for sale	5	5	5	5
Derivatives	Fair value through profit/loss	1 037	1 037	1 108	1 108
Total financial fixed assets		**1 242**	**1 242**	**1 188**	**1 188**
Current assets					
Trade accounts receivable	Loans and receivables	209	209	137	137
Derivatives	Fair value through profit/loss	3	3	364	364
Other short-term receivables	Loans and receivables	764	764	637	637
Total trade accounts and other short-term receivables		**976**	**976**	**1 138**	**1 138**
Investment in market-based securities	Fair value through profit/loss	**668**	**668**	**600**	**600**
Liquid assets	Fair value through profit/loss	**634**	**634**	**1 002**	**1 002**
Liabilities					
Long-term interest-bearing debt	Other liabilities	12 236	12 343	10 882	10 989
Derivatives	Fair value through profit/loss	248	248	92	92
Total long-term interest-bearing debt		**12 484**	**12 591**	**10 974**	**11 081**
Short-term interest-bearing debt	Other liabilities	1 884	1 885	2 298	2 305
Derivatives	Fair value through profit/loss	22	22	4	4
Total short-term interest-bearing debt		**1 906**	**1 907**	**2 302**	**2 309**
Trade accounts payable and other short-term debt	Other liabilities	**1 251**	**1 251**	**1 232**	**1 232**

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

(Amounts in NOK million)

As at 31 Dec. 2012

Parent company	Level 1	Level 2	Level 3	Total
Assets				
Subord. capital in Statnett SF's pension fund	-	-	75	75
Financial assets available for sale	-	-	5	5
Derivatives	-	1 039	-	1 039
Investment in market-based securities	327	-	-	327
Liquid assets	561	-	-	561
Total assets	**888**	**1 039**	**80**	**2 007**
Liabilities				
Derivatives	-	270	-	270
Total liabilities	**-**	**270**	**-**	**270**

(Amounts in NOK million)

Group				
Assets				
Subord. capital in Statnett SF's pension fund	-	-	75	75
Financial assets available for sale	-	-	5	5
Derivatives	-	1 039	-	1 039
Investment in market-based securities	668	-	-	668
Liquid assets	634	-	-	634
Total assets	**1 302**	**1 039**	**80**	**2 421**
Liabilities				
Derivatives	-	270	-	270
Total liabilities	**-**	**270**	**-**	**270**

Reconciliation of level 3 in fair value measurements.

Parent company 2011	Parent company 2012		Group 2012	Group 2011
75	75	Subord. capital in Statnett SF's pension fund	75	75
5	5	Financial assets available for sale	5	5
80	**80**	**Total fair value level 3**	**80**	**80**

Level 1: Fair value is used for quoted prices from active markets for identical financial instruments. No adjustments are made with regard to these prices.

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

Level 3: Fair value is measured using input based on non observable market data.

Interest-bearing assets and liabilities

Repayment profile for interest-bearing debt for the parent company

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

(Amounts in NOK million)

Maturity date	2013	2014	2015	2016	2017-	Upon demand*	Sum
Fixed rate loans							
Certificate issues	1 700	-	-	-	-	-	1 700
Bond issues	-	637	561	595	6 865	-	8 658
Total fixed rate loans	**1 700**	**637**	**561**	**595**	**6 865**	**-**	**10 358**
Floating rate loans							
Other interest-bearing debt	114	36	15	22	175	139	501
Bond issues	-	400	-	-	170	-	570
Loans from financial institutions	92	92	92	92	2 732	-	3 100
Total floating rate loans	**206**	**528**	**107**	**114**	**3 077**	**139**	**4 171**
Total short-term debt	**1 906**						**1 906**
Total long-term debt		**1 165**	**668**	**709**	**9 942**	**139**	**12 623**
Total interest-bearing debt	**1 906**	**1 165**	**668**	**709**	**9 942**	**139**	**14 529**

** Statnett SF intra-group loans of NOK 139 million, payable on demand.*

Loans by currency as at 31 Dec. 2012

(Amounts in millions)

Information about interest-bearing debt	Average interest rate 1)	Loans in currency	Loans in NOK
Valuta			
NOK	3,24%	10 314	10 314
JPY	2,11%	9 000	613
CHF	2,82%	400	2 771
SEK	2,42%	200	170
USD	3,10%	100	568
EUR*	**	13	93
Total			**14 529**

** Amounts in EUR are linked to collateral under CSA (Credit Support Annex) agreements, which reflect higher/lower value of derivatives.*
*** EONIA overnight - daily interest rates announced by the European Banking Federation (EBF)*
**** The amount in USD relates to three swaps with a forward start in January 2013, but with a market value as at 31 Dec. 2012*

1) All loans in foreign currency are converted into NOK using cross currency interest swap agreements. The average interest rate for the loans includes interest swap agreements. The average interest rate is the average rate as at 31 Dec. 2012.

Maturity of fixed interest of the loan portifolio	2013	2014	2015	2016	2017-	Total
(Amounts in NOK million)	10 630	491	599	686	2123	14 529

Market-based securities

Amounts in NOK million)

Parent company: Acquisition cost	Parent company: Book value		Group: Acquisition cost	Group: Book value
74	74	Government	74	74
63	64	Municipality/municipal operations	71	73
97	98	Financial institutions, including banks	325	331
90	91	Private/industry	133	135
324	**327**	**Total bonds**	**603**	**613**
-	-	Norwegian equity funds	27	28
-	-	Foreign equity funds	27	27
-	**-**	**Total equity funds**	**54**	**55**
324	**327**	**Total market-based securities**	**657**	**668**

All purchased bonds are issued in NOK. Unrealised interest gain/loss changed from NOK 4,5 million to 2,7 million during the period.
Unrealised interest gain/loss changed from NOK 4.5 million to 2.7 million during the period.
Which resulted in a loss of NOK 1.8 million, recognised in Other financial income.

Age distribution trade receivable

	Not due	1-30 days	31-60 days	61-90 days	Over 90 days	Total trade acc. rcvb.
Parent company	182	10	4	2	1	199
Group	186	16	4	2	1	209

Derivatives

Interest rate and currency swaps

These 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 correspond to the gain/loss on the loan.

(Amounts in NOK million)

Maturity	Principal lending	Principal borrowing	Market value* 2011	Cash flow 2012	Market value* 2012	Change in value***	Intr. rate terms Statnett receives	Intr. Rate terms Statnett pays
Free-standing derivatives**								
2015	NOK 200	NOK 200	14	5	14	5	Fixed	Nibor 6 months
2015	NOK 200	NOK 200	-8	-3	-9	-4	Nibor 6 months	Fixed
2028	USD 80	NOK 456,8			-7	-7	Fixed USD	Nibor 6 months
2028		USD 80			7	7		Fixed USD
2033	USD 220	NOK 1256,2			-33	-33	Fixed USD	Nibor 6 months
2033		USD 220			33	33		Fast USD
2043	USD 30	NOK 171,3			-7	-7	Fixed USD	Nibor 6 months
2043		USD 30			7	7		Fixed USD
Total			**6**	**2**	**5**	**1**		
Derivatives, cash flow hedges								
2014	NOK 200	NOK 200	-7	-3	-6	-2	Nibor 6 months	Fixed
2014	NOK 200	NOK 200	-6	-2	-5	-2	Nibor 6 months	Fixed
2016	NOK 400	NOK 400	-12	-3	-20	-11	Nibor 6 months	Fixed
2021	NOK 400	NOK 400			-11	-11	Nibor 6 months	Fixed
2021	NOK 500	NOK 500			-14	-14	Nibor 6 months	Fixed
2021	NOK 400	NOK 400			-12	-12	Nibor 6 months	Fixed
2022	NOK 393,25	NOK 393,25	-34	-6	-49	-21	Nibor 6 months	Fixed
Total			**-59**	**-14**	**-117**	**-73**		

(Amounts in NOK million)

Fair value hedging********

Maturity:	Principal lending		Principal borrowing		Market value* 2011	Market value* 2012	intr. rate terms Statnett receives	intr. rate terms Statnett pays
2014	NOK	300	NOK	300	6	6	Fixed	Nibor 6 months
2014	JPY	5000	NOK	295,8	111	35	Fixed JPY	Nibor 6 months
2015	NOK	50	NOK	50	3	3	Fixed	Nibor 6 months
2017	CHF	250	NOK	1290	506	445	Fixed CHF	Nibor 6 months
2019	JPY	4000	NOK	201	138	81	Fixed JPY	Nibor 6 months
2020	NOK	300	NOK	300	41	50	Fixed	Nibor 6 months
2020	NOK	60	NOK	60	2	5	Fixed	Nibor 6 months
2021	SEK	200	NOK	180	-11	-10	SEK Stibor 3 months	Nibor 6 months
2021	CHF	150	NOK	923,25	139	114	Fixed CHF	Nibor 6 months
2023	NOK	600	NOK	600	72	94	Fixed	Nibor 6 months
2024	USD	100	NOK	602,9		-33	Fixed USD	Nibor 6 months
2025	NOK	600	NOK	600	80	102	Fixed	Nibor 6 months
2027	NOK	1000	NOK	1000		40	Fixed	Nibor 6 months
Total					**1 087**	**932**		

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

** *Free-standing derivatives of NOK 200 million are related to underlying loans, but hedge accounting is not used.*
As at 31 Dec. 2012, Statnett had entered into loan agreements totalling USD 330 million with associated interest rate/currency swaps with disbursement on 22 January 2013.
Both the loans and swaps are classified as free-standing derivatives from the date of entry until the date of disbursement. Changes in value of loan contracts are offset changes in value of the associated swaps.

*** *Changes in market value includes cash flow for 2012.*

**** *Changes in value in fair value hedges have no effect on the result.*

Interest rate options:

Statnett had no interest rate options as at 31 December 2012.

Forward exchange options:

Statnett makes use of forward exchange contracts in order to the currency risk on transactions in currencies other than NOK.

(Amounts in NOK million)	**Nominal amount in currency**	**Nominal amount in NOK**	**Average hedge rate**	**Market rate***	**Market value**
SEK	323	291	0,90	0,85	-11
EUR	105	826	7,89	7,34	-39
Total forward exchange contracts		**1117**			**-50**

**Average forward rate.*
All contracts are related 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.

Commodity contracts:

Statnett had no commodity contracts at 31 December 2012.

NOTE 10 FINANCIAL RISK MANAGEMENT

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 included. Statnett SF's financial policy also comprises aims and frameworks for minimising the enterprise's credit, interest rate and foreign exchange risks. Statnett SF uses financial derivatives to manage the financial risk.

Capital management

The enterprise has liabilities and equity as specified in the balance sheet. The loan agreements do not impose any capital requirements on the enterprise which are expected to restrict the capital structure of the enterprise. There are no explicit equity requirements other than those stipulated in applicable laws and regulations. The main objective of Statnett's capital management is to ensure that the enterprise has a sound financial position which enables the enterprise to carry out all socio-economically profitable grid investments. This is in line with statements from the owner. Specific target figures for the enterprise's financial position have not been determined. However, it is a priority with the Statnett's Board of Directors to maintain a robust A rating. Statnett may request more equity from the owner, if necessary. The need for more equity is assessed continuously on the basis of Statnett's objectives. The owner has established a long-term dividend policy of 50 per cent of the Group's annual profit after tax, adjusted for the changed balance for higher/lower revenues after tax up to and including the fiscal year 2015. Moreover, the capital structure is managed by raising and paying off short-term and long-term debt, as well as through changes in liquid assets. There have been no changes to capital management objectives or guidelines in 2012.

Overview of capital includede in capital structure management:

Parent company			Group	
2011	**2012**	*(Amounts in NOK million)*	**2012**	**2011**
11 110	12 623	Long-term interest-bearing liabilities	12 484	10 974
2 302	1 906	Short-term interest-bearing liabilities	1 906	2 302
1 189	888	Liquid assets and investment in market-based securities	1 302	1 602
12 223	**13 641**	**Net liabilities**	**13 088**	**11 674**

Liquidity risk

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

Statnett reduces liquidity risk related to maturity of financial liabilities by having an evenly distributed maturity structure, access to several sources of financing in Norway and abroad, as well as sufficient liquidity to cover scheduled operations, investment and financing needs without incurring any new debt within a time horizon of 12 months. The liquidity comprises of existing cash and cash equivalents (bank/time deposits, certificates and bonds) and a credit facility of NOK 3.5 billion running until January 2018. Statnett has also entered into a long-term loan agreement with the European Investment Bank (EIB) for a maximum borrowing of EUR 200 million. The loan can be drawn in several tranches. As of 21 March 2013, the loan from EIB remains undrawn and the credit facility had not been utilised. Liquidity is followed up continuously with weekly reporting.

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

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 at 31 Dec. 2012.

Parent company

As at 31 Dec. 2012	Under 1 year	1 to 3 years	3 to 6 years	6 to 10 years	10 years+	Total
Interest-bearing debt and interest payments	2 306	2 755	3 465	4 702	6 815	20 043
Other liabilities		1	39	1	33	74
Trade acc.payable and other short-term debt	1 234					1 234
Derivatives	2 693	2 416	2 076	1 113	2 327	10 625
Total	**6 233**	**5 172**	**5 580**	**5 816**	**9 175**	**31 976**

Derivates	Under 1 year	1 to 3 years	3 to 6 years	6 to 10 years	10 years+	Total
Received	2 760	2 528	2 499	1 444	2 887	12 118
Disbursed	-2 693	-2 416	-2 076	-1 113	-2 327	-10 625
Net derivatives	**67**	**112**	**423**	**331**	**560**	**1 493**

Group

As at 31 Dec. 2012	Under 1 year	1 to 3 years	3 to 6 years	6 to 10 years	10 years+	Total
Interest-bearing debt and interest payments	2 306	2 616	3 465	4 702	6 815	19 904
Other liabilities		1	39	1	33	74
Trade acc.payable and other short-term debt	1 251					1 251
Derivatives	2 693	2 416	2 076	1 113	2 327	10 625
Total	**6 250**	**5 033**	**5 580**	**5 816**	**9 175**	**31 854**

Derivates	Under 1 year	1 to 3 years	3 to 6 years	6 to 10 years	10 years+	Total
Received	2 760	2 528	2 499	1 444	2 887	12 118
Disbursed	-2 693	-2 416	-2 076	-1 113	-2 327	-10 625
Net derivatives	**67**	**112**	**423**	**331**	**560**	**1 493**

Credit risk

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

Maximum credit exposure

Parent company			Group	
2011	**2012**	*(Amounts in NOK million)*	**2012**	**2011**
867	561	Liquid assets, excl. time deposits	634	952
50	-	Time deposits	-	50
272	327	Bonds and certificates	613	553
1 475	1 040	Derivatives	1 040	1 473
198	299	Long-term receivables, excl. derivatives	124	-
821	1 061	Trade accounts and other short-term receivables, excl. derivatives	973	774
3 683	**3 288**	**Total maximum credit exposure**	**3 384**	**3 802**

Foreign exchange risk

Foreign exchange risk is the risk of fluctuations in foreign exchange rates that will result in changes in Statnett's income statement and balance sheet. To minimise foreign exchange risk, all foreign currency loans are converted into Norwegian Kroner (NOK) using cross currency swaps. The liabilities undertaken by Statnett in foreign currencies in connection with investment projects are mainly hedged using currency swaps. Other currency exposure at 31 December 2012 that had not been swapped or reserved to future payments or bank deposits in foreign currency totalled NOK 125 million for the parent company and NOK 141 million for the Group. Foreign equity funds and shares totalled NOK 19 million for the Group.

Exchange rate sensitivity

Parent company		Change in NOK exchange rate	Group	
(Amounts in NOK million)		*(%)*	*(Amounts in NOK million)*	
2011	**2012**		**2012**	**2011**
-3	-2	+5	-3	-4
3	2	-5	3	4

Interest rate sensitivity

The following table shows the sensitivity of the parent company and the Group to potential changes in the interest rate. The calculation takes into account all interest-bearing instruments and associated interest rate derivatives. It shows the effect on the result of a change in the interest rate levels as at 31 December 2012.

Effect on result Parent company		Change in interest rate level	Effect on result Group	
(Amounts in NOK million)		*(%)*	*(Amounts in NOK million)*	
2011	**2012**		**2012**	**2011**
-5	-5	+1	-11	-11
5	5	-1	11	11

It has been assumed that a change of one percentage point in the short-term interest rate level will result in a change in the Group's average borrowing rate of approx.0.35 percentage points over a six-month period. Net borrowing costs will then change approx. NOK 92 million, annualy.

Average effective interest rate

The table below shows the average effective interest rate for the individual financial instruments for the full years 2011 and 2012. Throughout 2012, Statnett had a higher share of bank deposits in foreign currency, which resulted in lower interest yield on deposits.

Parent company			Group	
2011	**2012**		**2012**	**2011**
4,33%	4,02%	Bonds and certificates	4,77%	4,69%
3,05%	2,39%	Deposits	2,39%	3,05%
-	-	Shares and equity funds	12,42%	-8,10%
3,38%	3,43%	Loans	3,43%	3,38%

NOTE 11 TAXES

Parent company			Group	
2011	**2012**	*(Amounts in NOK million)*	**2012**	**2011**
		Tax on result		
273	221	Tax payable	220	273
80	107	Change in deferred tax/tax benefit	105	84
353	**328**	**Tax**	**325**	**357**
273	221	Tax payable for the year	221	273
-2	-11	Tax payable in conn. with group contribution	-11	-2
271	**210**	**Tax payable balance sheet**	**210**	**271**
80	**107**	**Deferred tax/tax benefit as a result of changes in temporary differences**	**105**	**84**
29%	**28%**	**Effective tax rate**	**28%**	**26%**
		Reconciliation of effective tax rate with Norwegian tax rate		
1 206	1 177	Profit before tax	1 162	1 357
337	329	28 % tax	326	380
18	-7	Permanent differences 28%	-2	-21
-2	6	Share of profit/loss in KS, FKV and TS	1	-2
353	**328**	**Tax**	**325**	**357**
		Deferred tax(-)/tax asset in the balance sheet		
-	-	Other intangible assets	-4	-4
-515	-640	Fixed assets	-666	-537
42	50	Profit and loss account	50	42
-	-19	Receivables	-3	10
-	-	Technical provisions insurance	-61	-63
99	114	Pensions	114	99
-	9	Securities and financial instruments (excl. cash flow hedges)	7	-1
16	33	Cash flow hedges	33	16
17	21	Other tax-related provisions	21	17
-2	-11	Tax effect of Group contribution	-11	-2
-	-	Tax loss carried forward	14	17
-343	**-443**	**Total deferred tax(-)/tax assets (net)**	**-506**	**-406**

Changes in temporary differences

Parent company *(Amounts in NOK million)*	**31/12/2011**	**Recognized**	**Other comprehensive income**	**Group contribution**	**31/12/2012**
Fixed assets	1 840	446	-	-	2 286
Profit and loss account	-149	-31	-	-	-180
Receivables	-	66	-	-	66
Pensions	-352	-54	-	-	-406
Securities and financial instruments (excl. cash flow hedges)	-	-34	-	-	-34
Cash flow hedges	-59	-	-58	-	-117
Other provisions	-62	-13	-	-	-75
Group contribution	6	-	-	34	40
Total	**1 224**	**380**	**-58**	**34**	**1 580**

Group	**31/12/2011**	**Recognized**	**Other comprehensive income**	**Group contribution**	**31/12/2012**
Other intangible assets	13	-	-	-	13
Fixed assets	1 918	462	-	-	2 380
Profit and loss account	-147	-31	-	-	-178
Receivables	-37	45	-	-	8
Technical provisions insurance	226	-6	-	-	220
Pensions	-352	-55	-	-	-407
Securities and financial instruments (excl. cash flow hedges)	3	-30	-	-	-27
Cash flow hedges	-59	-	-58	-	-117
Other provisions	-63	-13	-	-	-76
Tax loss carried forward	-52	9	-	34	-9
Total	**1 450**	**381**	**-58**	**34**	**1 807**

In 2012 a Group contribution of NOK 40 million was made to Statnett Transport AS. This reduced tax loss carried forward in the limited company.

NOTE 12 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Statnett SF has the following investments at 31 December 2012:

(Amounts in NOK thousand)

Company	Type	Year of acquisition	Registered office	Ownership interest	Voting rights	Book value
Subsidiaries						
Statnett Transport AS	Subsidiary	1996	Oslo	100%	100%	79 221
Statnett Forsikring AS	Subsidiary	1998	Oslo	100%	100%	30 200
Nord.Link AS	Subsidiary	2010	Oslo	100%	100%	500
Noreveien 26 AS	Subsidiary	2010	Oslo	100%	100%	100
NorGer AS	Subsidiary	2010/2011	Oslo	100%	100%	25 265
NorGer KS	Subsidiary	2010/2011	Oslo	100%	100%	136 617
Total subsidiaries						**271 903**
Associates						
Nord Pool Spot AS	Associate	2002/2008	Bærum	28,8%	28,8%	36 320
Total book value subsidiaries, joint ventures and associates						**308 223**

Group value of companies recorded according to the equity method

2012	Group value at 1 Jan.	Result for the year	Dividend	Group value at 31 Dec.
Nord Pool Spot AS, 28,8 % [1]	53 667	15 430	-15 000	54 097
Total associates	**53 667**	**15 430**	**-15 000**	**54 097**

2011	Group value at 1 Jan.	Result for the year	Dividend	Group value at 31 Dec.
Nord Pool Spot AS, 30 %	51 080	4 987	-2 400	53 667
Total associates	**51 080**	**4 987**	**-2 400**	**53 667**

1) In connection with a private placement in Nord Pool Spot AS as at 31 July, Statnett's ownership interest was reduced from 30% to 28.8%. The profit for the year includes the Group's gain due to the reduced ownership interest through a private placing.

Changes in investments in subsidiaries, joint ventures and associates

There were no activities in Nord.Link AS in 2012.
There were no activities in Noreveien 26 AS in 2012.

Transactions in 2011

In August 2011, Statnett purchased another 50 per cent of NorGer AS and 45 prosent in NorGer KS. NorGer AS had a direct ownership interest of 10 per cent in NorGer KS. Directly and indirectly, Statnett SF owns 100 per cent of NorGer KS. Both NorGer AS and NorGer KS are accounted for as subsidiaries.

NOTE 13 RELATED PARTIES

As at 31 December 2012, Statnett SF was wholly-owned by the Norwegian State through the Ministry of Petroleum and Energy (MPE). Statnett has the following relations with MPE both as owner and regulatory authority:

Regulatory authority

The Norwegian parliament (Storting) is the legislative authority that passes legislation based on bills put forward by the government. Regulations are adopted by the King in Council. The MPE administers its areas of responsibilities and delegates the administration of the greater part of the Energy Act to the NVE. Pursuant to the Norwegian Public Administration Act, any administrative decision made by the NVE can be appealed to the MPE as the superior authority.

Other related parties:

Parent company	Subsidiary	Associate
Statnett SF	Statnett Transport AS	Nord Pool Spot AS
	Statnett Forsikring AS	
	Noreveien 26 AS	
	Nord.Link AS	
	NorGer KS	
	NorGer AS	

The subsidiaries are all wholly-owned by Statnett SF, though so that Statnett owns 100 per cent of the shares in NorGer AS and 90 per cent of the shares in NorGer KS. In addition, NorGer AS owns 10 per cent of the shares in NorGer KS. This entails that Statnett SF, including indirect ownership, also controls 100 per cent of the shares in NorGer KS.

Statnett SF has an ownership interest in Nord Pool Spot AS of 28.8 per cent. The ownership interest was reduced from 30 per cent following a private placement in July 2012.

Related party transaction

Statnett SF and its subsidiaries have entered into loan agreements and agreements relating to the purchase and sale of services. All transactions are made as part of the normal commercial operations and at current market prices. The most important transactions were:

Statnett Forsikring AS is licensed to provide cover for risks associated with companies in the Statnett Group, and operates both as a direct personal insurance company and a non-life insurance company. The company is also a reinsurer of Statnett's risks covered by other insurers.

Statnett Transport AS operates a heavy transport business on land and sea and supplies transport services to Statnett SF, including preparedness services relating to cables. These services are valued by an external party.

Statnett SF purchases transmission losses on Nord Pool Spot AS on a daily basis. The purchase and sale of energy is settled at the power exchange's market prices.

Statnett SF performs administrative services for its subsidiaries. Agreements have been entered into which specify these services, and they are priced at market terms.

In 2012, Statnett SF received dividends totalling NOK 35 million from subsidiaries and associates.

Joint venture parties

TenneT TSO BV and Statnett SF have constructed a subsea cable to transport energy between Norway and the Netherlands, known as the NorNed cable. Each party owns its physical half of the cable, with Statnett 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.

Statnett SF owns Skagerrak cables 1-3 whereas the Danish system operator Energinet.dk holds a long-term lease agreement for half of the cable capacity. Operating costs and revenues related to the operation of the cable are shared equally between Energinet.dk and Statnett. Energinet.dk and Statnett have also been granted a licence to install another cable for transmission of energy between Norway and Denmark, called Skagerrak 4. Each party will own its physical half of the cable, with Statnett owning the northern part and Energinet the southern part. The cable is currently being constructed and is scheduled to come online towards the end of 2014.

Statnett SF, KfW and TenneT TSO GmbH have entered into a joint venture agreement for development, construction and operation of a 1400 MW subsea cable between Norway and Germany.

Statnett SF inter-company accounts

	Trade accounts		**Long-term lending**		**Long-term borrowing**		**Trade acc. Payable**	
(Amounts in NOK million)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Subsidiaries	3	5	187	198	138	137	5	29

Interest rates

Interest rates on long-term borrowing and lending have been agreed at six months' NIBOR with a mark-up in the interval 1% - 1.75%

Statnett SFs intra-group trading

	Sales revenues		Operating costs		Financial revenues	
(Amounts in NOK million)	2012	2011	2012	2011	2012	2011
Subsidiaries	5	4	120	238	7	7

	Financial cost		Dividend received	
(Amounts in NOK million)	2012	2011	2012	2011
Subsidiaries	5	-	20	8

NOTE 14 RENUMERATION/BENEFITS TO THE GROUP MANAGEMENT

The Board's declaration on determination of salary and other remuneration for the Group management.

The statement concerning remuneration to the President and CEO and the Group management has been prepared in accordance with the provisions in the Public Limited Liability Companies Act, the Norwegian Accounting Act, the Norwegian Code of Practice for Corporate Governance and the Guidelines relating to state-owned companies, which include an approach to executive pay, as well as the Norwegian Ministry of Petroleum and Energy's compliance expectations stipulated in its letter of 29 November 2011.

The Board of Directors has established a remuneration committee, consisting of two owner-appointed board members and one employee representative. Unless otherwise agreed, the HR Director will act as committee secretary. The remuneration committee is an advisory and preparatory body for the Board of Directors, and will put forward proposals for salary adjustments in accordance with the guidelines specified below.

In addition to a fixed salary the Group management is entitled to a company car and pension benefits. There is no bonus scheme for senior employees. The retirement age for the President and CEO and the Group senior management is 65. The President and CEO is entitled to 12 months' severance pay in the event of dismissal from the company. No other senior employees have agreements for salaries after the termination of employment.

The Group's guiding principle for 2011 and 2012 has been to keep remuneration and other benefits for the Group management at a competitive level to ensure that the Group attracts and retains high-quality senior executives. The fixed salary does not need to be at the top of the pay scale. However, it must be competitive for our industry and compared to other companies recruiting in the same market as Statnett SF. At the same time, the salary must reflect individual experience, area of responsibility and achieved results.

The Board of Directors approves the annual salary adjustment for the company's president/CEO, and adopts a framework which the president/CEO uses to adjust the salaries for the rest of the Group management team.

The same guidelines specified above will be used as a basis for the next fiscal year.

Group management remuneration/benefits *(Amounts in NOK)*		**Board remuneration**	**Board remuneration**
Board of Directors		2012	2011
Kolbjørn Almlid (from June 2011)	Chair	363 000	174 000
Bjarne Aamodt (until June 2011)	Chair	-	181 600
Per Hjorth	Vice Chair	276 000	245 000
Thor Håkstad (until June 2012)	Vice Chair	126 300	239 000
Kirsten Indgjerd Værdal	Board member	198 000	185 000
Egil R Gjesteland (from June 2012)	Board member	96 500	-
Kristin Lian (from June 2012)	Board member	127 567	-
Grethe Høiland (until June 2012)	Board member	118 300	225 000
Heidi Ekrem	Board member	198 000	190 000
Steinar Jøråndstad	Board member *)	233 000	225 000
Per Erland Opgård	Board member *)	198 000	190 000
Kjerstin Bakke	Board member *)	193 000	185 000
Total remuneration		**2 127 667**	**2 039 600**

All figures are exclusive of employer's NICs.
Deputy board members and observers do not receive remuneration.
Some board members receive compensation for their participation in the audit committee or remuneration committee. Board remunerations may therefore vary.
**) In the case of employee representatives, only board members' fees are stated.*

Group management renumeration/benefits 2012 *(Amounts in NOK)*		**Salary**	**Other renumeration**	**Pension cost**	**Total renumeration**
Group management					
President and CEO					
Auke Lont		2 391 762	184 735	2 908 851	5 485 348
Executive Vice Presidents					
Gunnar G. Løvås	Strategy and Public Affairs	1 510 869	137 719	998 547	2 647 135
Håkon Borgen	Projects Division	1 640 618	102 769	1 091 041	2 834 428
Øivind Kristian Rue	Grid Operations Division	1 769 371	102 363	1 637 291	3 509 025
Bente Hagem	Commercial Development	1 550 897	139 068	1 349 690	3 039 655
Knut Hundhammer	Corporate Staff, CFO	1 937 613	159 572	712 824	2 810 009
Peer Olav Østli	ICT	1 474 289	149 462	995 325	2 619 076
Total remuneration		**12 275 419**	**975 688**	**9 693 569**	**22 944 676**

All figures are exclusive of employer's NICs.

Renumeration/benefits to Group management/board2011 *(Amounts in NOK)*		**Salary**	**Other renumeration**	**Pension cost**	**Total renumeration**
Group management					
President and CEO					
Auke Lont		2 275 892	181 083	2 229 640	4 686 615
Executive Vice Presidents					
Gunnar G. Løvås	Strategy and Public Affairs	1 440 860	137 788	679 236	2 257 884
Håkon Borgen	Projects Division	1 555 835	102 949	694 968	2 353 752
Øivind Kristian Rue	Grid Operations Division	1 687 016	130 323	1 228 155	3 045 494
Bente Hagem	Commercial Development	1 471 466	140 515	1 053 644	2 665 625
Knut Hundhammer (from 23 May)	Corporate Staff, CFO	1 108 515	91 764	531 636	1 731 915
Marie Jore Ritterberg (until 23 May)	Finance	594 033	64 440	397 515	1 055 989
Peer Olav Østli	ICT	1 403 809	140 021	726 481	2 270 311
Kirsten Berg (until 23 May)	Corporate Staff	533 313	49 775	251 590	834 678
Total remuneration		**12 070 739**	**1 038 658**	**7 792 865**	**20 902 263**

All figures are exclusive of employer's NICs.

There was a change in Statnett's Group Management as of 23 May 2011 due to reorganisation of the company.
After the reorganisation the Group Management consists of Executive VPs for Strategy and Public Affairs, Projects Division, Grid Operations Division, Commercial Development, ICT and Corporate Staff.
At the same time a management group for Group development was discontinued which in addition to the Group Management included Executive VPs of Corporate Staff, Finance and ICT.

Terms and conditions, senior executives

Title/name	Terms and conditions for retirement age/early retirement pension/retirement pension
President and CEO: Auke Lont	From the age of 65, 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 percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, 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 National Insurance Scheme. Upon death, any surviving spouse and children under the age of 21 will receive a pension. Should the President become disabled before the age of 65, he or she will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension disbursement will be reduced according to disability.
Executive vice presidents: Håkon Borgen Bente Hagem Øivind Kristian Rue	The retirement age is 65, but with the right to retire with an early retirement pension at any time after the age of 62. In the event of retirement between 62 and 65 an annual payment of 66 per cent of the pension base will be disbursed. The pension base is the fixed, normal annual salary at retirement. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. In the event that income is received from others and this, together with the early retirement pension disbursed by Statnett, exceeds the final salary the early retirement pension will be reduced by 50 per cent of the amount that exceeds the final salary. From the age of 65, 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 percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, the annual retirement pension will be coordinated with the retirement pension disbursed from Statnett SF's Pension Fund and the Norwegian National Insurance Scheme. 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 age of 62 will lapse if they are no longer employed by Statnett SF on their 62nd birthday. Should any of the above persons become disabled before reaching the age of 65, he or she will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension disbursement will be reduced according to disability.

Title/name	**Terms and conditions for retirement age/early retirement pension/retirement pension**
Executive vice presidents: Gunnar G Løvås Peer Olav Østli	The retirement age is 65, with the right to retire with an early retirement pension at any time after 62. The full contribution period is 30 years. In the event of retirement between ages 62 and 65, an annual payment shall be disbursed of 66 per cent of the pension base, less one percentage point for each year between 62 and 65. The pension base is the fixed, normal annual salary at retirement. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. Pension disbursement may be reduced if the member receives any salary, pension or remuneration from other companies in the Statnett Group. From the age of 65, the full annual retirement is 66 per cent of the pension base. The pension base is the fixed, normal annual salary at retirement. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, the annual retirement pension is covered through the National Insurance Scheme and Statnett's group pension scheme, plus 66 per cent of the part of the pension base that exceeds 12 times the basic amount, provided that there is a full contribution period (30 years). Upon death, any children under the age of 21 will receive a children's pension. If the 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 for each year until retirement. Should any of the above persons become disabled before reaching the age of 65, he or she will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 67, based on the pension base at the time the disability occurred. The disability pension will be reduced according to disability.
Executive vice president: Knut Hundhammer	The retirement age for executive positions is 65. A pension agreement has been entered into in addition to the ordinary membership in the enterprise's group pension scheme. The pension is secured through the accrued savings balance, including interest, disbursed to Hundhammer as taxable income. Statnett holds the rights to the Guarantee Account up to the moment of disbursement. The guarantee account will be disbursed to Statnett SF at retirement at the latest. The guarantee account, including interest, is used to finance the benefits which will be disbursed to Hundhammer at retirement. The pension base is the permanent ordinary salary. Statnett will, each year until retirement or resignation, pay up to 30 per cent of the difference between the ordinary salary and 12 times the Norwegian national insurance scheme basic amount to the pension fund scheme. For 2012, payments of NOK 295 260 were made. For subsequent years, this amount will be adjusted with a corresponding salary increase, with a minimum increase corresponding to the increase in G. Upon death, the surviving spouse or spouse equivalent will receive an amount corresponding to the remaining savings balance including interest from Statnett SF. This lump sum will be taxable for the spouse/spouse equivalent.

The normal notice period for resignation is three months, whereas for dismissals the notice period is six months after an employment period of two years.

No loans have been guaranteed or granted to members of the Group management or the Board of Directors.

NOTE 15 EVENTS AFTER THE BALANCE SHEET DATE

On Saturday 2 March, an outage occurred on the 420 kV interconnector between Viklandet and Fræna. This resulted in a 120 MW loss of load to Ormen Lange. General consumption was not affected. Due to adverse weather in Nordmøre the Sunndalsøra power line crew could not access the mountain to repair the fault until Tuesday 5 March. Statnett entered into a dialogue with the NVE prior to the incident to ascertain how to deal with outages in Nyhamna in terms of the quality-adjustment revenue cap for energy not supplied scheme and system operation costs. The financial consequences for Statnett as a result of the outage have therefore not yet been clarified.

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 16 SECURED DEBT, GUARANTEES

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

NOTE 17 DISPUTES

From time to time Statnett is involved in minor disputes with landowners, customers and others with regard to the interpretation of signed contracts, statutory obligations, including property tax, discretionary assessments and disagreements related to ordinary operations and building of power lines and cable connections. Disputes of this nature are regarded as part of regular operations.

NOTE 18 OTHER OPERATING COSTS

Parent company			Group	
2011	**2012**	*(Amounts in NOK million)*	**2012**	**2011**
36	51	Lease rental payable	54	38
245	308	Contracted personnel/consultants	338	307
53	59	Insurance	78	57
359	261	Materials and subcontractors	269	255
130	141	Property tax	141	130
66	83	IT costs	83	66
179	242	Miscellaneous	213	129
1 068	**1 145**	**Total other operating costs**	**1 176**	**982**

Operational lease agreements (maturity less than one year from balance sheet date)

Parent company			Group	
2011	2012	*(Amounts in NOK million)*	2012	2011
19	28	Buildings	31	22
11	16	Contracted communication	16	11
6	7	Miscellaneous	7	5
36	**51**	**Total lease rental payable**	**54**	**38**

Operational lease agreements falling due later than one year from balance sheet date

The Group has entered into several minor lease agreements for buildings, communication and other operating equipment in our long and narrow country relating to ordinary onsite operations and implementation of our projects. The leases vary from a few months to 15 years. Leases are paid and carried to expense in accordance with the terms of each contract. The Group's material future lease obligations include buildings and communication. These will increase from the current level by approximately NOK 40 million from 2013.

Auditor's fee

Parent company			Group	
2011	2012	*(Amounts in NOK thousand)*	2012	2011
680	709	Statutory audit	913	898
344	292	Other attestation services	333	373
246	147	Tax-related assistance	153	273
190	659	Other assistance	659	215
1 460	**1 807**	**Total fees (excl. VAT)**	**2 058**	**1 759**

Auditor's fees are exclusive of VAT.

NOTE 19 COMPARATIVE FIGURES FOR THE STATNETT GROUP

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

Below, comparative figures for selected amounts have been cited for four years.

From the statement of comprehensive income

Statnett Group *(Amounts in NOK million)*	**2012**	**2011**	**2010**	**2009**	**2008**
Permitted revenue	4 025	4 296	4 803	3 722	3 355
Higher/lower revenue for the period	1 065	1 020	2 177	-1 059	721
Other operating revenue	244	181	267	199	180
Total operating revenue	**5 334**	**5 497**	**7 247**	**2 862**	**4 256**
Operating costs	3 901	3 869	3 968	3 265	3 062
Operating profit/loss	**1 433**	**1 628**	**3 279**	**-403**	**1 194**
Income from joint ventures and associates	9	5	11	24	962
Net financial items	-280	-276	-232	-289	-414
Profit/loss before tax	**1 162**	**1 357**	**3 058**	**-668**	**1 742**
Profit/loss for the year	**837**	**1 000**	**2 198**	**-480**	**1 517**

From the statement of comprehensive income, not including higher/lower revenue

Statnett Group *(Amounts in NOK million)*	**2012**	**2011**	**2010**	**2009**	**2008**
Permitted revenue	4 025	4 296	4 803	3 722	3 355
Other operating revenue	244	181	267	199	180
Total operating revenue	**4 269**	**4 477**	**5 070**	**3 921**	**3 535**
Operating costs	3 901	3 869	3 968	3 265	3 062
Operating profit/loss excl. higher/lower revenue	**368**	**608**	**1 102**	**656**	**473**
Income from joint ventures and associates	9	5	11	24	962
Net financial items	-280	-276	-232	-289	-414
Profit/loss before tax excl. higher/lower revenue	**97**	**337**	**881**	**391**	**1 021**

From the balance sheet

Statnett Group *(Amounts in NOK million)*	**2012**	**2011**	**2010**	**2009**	**2008**
Intangible assets	66	66	66	-	-
Fixed assets	23 450	21 075	19 413	17 858	19 349
Current assets	2 278	2 740	2 591	1 484	1 570
Total assets	**25 794**	**23 881**	**22 070**	**19 342**	**20 919**
Equity	8 955	8 277	7 628	5 618	6 585
Interest-bearing liabilities	14 390	13 276	11 757	12 340	12 340
Other liability items	2 449	2 328	2 685	1 384	1 994
Total equity and liabilities	**25 794**	**23 881**	**22 070**	**19 342**	**20 919**

From cash flow

Statnett Group *(Amounts in NOK million)*	**2012**	**2011**	**2010**	**2009**	**2008**
Net cash flow from operating activities	1 426	1 523	3 804	-466	1 529
Net cash flow from investing activities	-3 085	-2 370	-1 740	-140	-2 670
Net cash flow from financing activities	1 291	720	-1 277	388	1 221
Net cash flow for the period	**-368**	**-127**	**787**	**-218**	**80**
Liquid assets	634	1 002	1 129	342	556
Dividend for the year to owner	117	315	132	499	318

Operating profit

Profit/loss before tax

NOTE 20 NEW AND AMENDED ACCOUNTING STANDARD

NEW AND AMENDED IAS, IFRS AND IFRIC STANDARDS WITH FUTURE IMPLEMENTATION DATES

The standards and interpretations that were adopted before submission of the consolidated accounts, but where the effective date is in the future, are stated below. The Group intends to implement the relevant amendments at the effective date, provided that the EU approves the amendments before the group accounts are presented. Only matters assumed to be relevant for Statnett have been included. However, none of the amendments below are considered to imply substantial changes in the Group's application of accounting principles or notes. For amendments that are considered to have a significant impact on the Group's application of accounting principles or notes to the accounts, cf. Note 1.

Amendment to IFRS 7 Financial Instruments – information

The amendments entail that enterprises have a duty to provide several quantitative details relating to set-off of financial assets and financial liabilities. The information requirements apply to all recognised financial instruments set off pursuant to IAS 32. The amendments will be effective for fiscal years starting on 1 January 2013 or later.

IFRS 9 – Financial Instruments

IFRS 9, as it is currently published, reflects the first phase of IASBs work on replacing the current IAS 39, and pertains to classification and measuring of financial assets and liabilities as defined in IAS 39. Initially, the standard was to become effective for the fiscal year starting on 1 January 2013 or later. However, the effective date was postponed to 1 January 2015, due to the amendments to IFRS 9 adopted in December 2011. The later phases of this project relate to hedge accounting and write-down of financial assets. The Group will evaluate potential effects of IFRS 9 in keeping with the other phases, as soon as the final standard, including all phases, is published.

IFRS 10 Consolidated Financial Statements

The new the consolidation standard – IFRS 10 – replaces the consolidated financial statements of IAS 27 Consolidated Financial Statements and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The actual consolidation method will not change as a result of the introduction of IFRS 10. However, the new standard may change the assessment of whether an entity should be consolidated or not. This is due to a change in the definition of "control". The new definition of "control" applies to investment in all entities, also structured entities (formerly referred to as special purpose entities). The following criteria must be fulfilled before an investor is considered to have control over an entity:

- Power over the entity ("investee" in IFRS terminology),
- Exposure, or right to, variable returns from its involvement with the entity, and
- The ability to use its power over the entity to affect the amount of the investor's returns.

The changes in the regulations will increase the use of discretionary assessment when determining whether the entity should be consolidated. The standard has been approved by the EU, with effect from the fiscal year starting on 1 January 2014 or later.

IFRS 11 Joint Arrangements

This standard replaces IAS 31 Interests in Joint Ventures, as well as SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for joint ventures using the proportional consolidation method. Instead all entities that meet the definition of joint ventures must be accounted for using the equity method. In the EU/EEA area, IFRS 11 will apply for the fiscal year starting on 1 January 2014 or later.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 applies to any entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the IFRS 12 note requirements were previously found in IAS 27, IAS 28 and IAS 31, whereas others are new requirements. The purpose of the new note requirements is to ensure that users of financial statements understand the effect on the balance sheet, profit or loss and cash flows as a result of the enterprise's interests in other entities, as well as the nature of, and risk related to, the enterprise's interests in other entities. The changes will not have any impact on the financial standing of the Group or on profit or loss. The standard has been approved by the EU, with effect from the fiscal year starting on 1 January 2014 or later.

IFRS 13 Fair Value Measurement

The standard defines principles and guidelines for measuring the fair value of assets and liabilities which other standards require or permit to be measured at fair value. IFRS 13 will be effective for fiscal years starting on 1 January 2013 or later.

Amendments to IAS 1 Presentation of Financial Statements

The amendment to IAS 1 is a requirement to group revenues and costs in the statement of "Other revenues and costs" based on their potential to be reclassified to profit or loss, or not. The changes will only affect the presentation, and will have no impact on the Group's financial standing or on profit or loss. The amendments to IAS 1 will be effective for fiscal years starting on 1 July 2012 or later.

IAS 28 Investment in Associates and Joint Ventures

The scope of IAS 28 has been expanded to include investments in joint ventures. The standard describes principles for accounting of investments in affiliated companies and joint ventures, and specifies how the equity method should be applied. The amendments will be effective for fiscal years starting on 1 January 2013 or later.

IAS 32 Financial Instruments - presentation

IAS 32 has been amended to clarify the phrase "currently has a legal enforceable right to set-off" and to clarify the application of IAS 32's set-off criteria for settlement systems. The amendments will be effective for fiscal years starting on 1 January 2014 or later.

ANNUAL IMPROVEMENT PROJECT 2009-2011

IAS 16 – Property, plants and equipment

The amendment makes it clearer that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The amendments will be effective for fiscal years starting on 1 January 2013 or later. However, the amendments have still not been approved by the EU.

IAS 32 Financial Instruments, Presentation

The amendment clarifies that income tax deriving from distributions to holders of an equity instrument shall be recognised in accordance with IAS 12. The amendments will be effective for fiscal years starting on 1 January 2013 or later. However, the amendments have still not been approved by the EU.

Auditors report

State Authorised Public Accountants
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To the General Meeting of
Statnett SF

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Statnett SF, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

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Opinion

In our opinion, the financial statements of Statnett SF have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as of 31 December 2012 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 21 March 2013
ERNST & YOUNG AS

Tommy Romskaug
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)