

Statnett

Q4



Interim Report

04:12

Table of contents

04:12

004	Directors' report
012	Statement of comprehensive income
013	Balance sheet
014	Statement of changes in equity
015	Cash flow statement

In short

Highlights

Total operating revenues for the Statnett Group in the fourth quarter of 2012 amounted to NOK 1 341 million (NOK 1 317 million in the fourth quarter of 2011). For the year 2012, the Group's operating revenues amounted to NOK 5 334 mill (NOK 5 497 in 2011).

The Group reported a profit after tax of NOK 115 million in the fourth quarter of 2012 (NOK 226 million). The reduction in operating profit was mainly due to an increase in staff as well as increased activities on the interconnectors in 2012.

In 2012, the Group's profit after tax totalled NOK 837 million (NOK 1 000 million). Lower tariff revenues due to planned downward adjustment of tariffs for 2012 and increased personnel costs in 2012 were partially offset by an increase in congestion revenues. The increase in congestion revenues was reflected in the higher revenue which totalled NOK 1 065 million at the end of 2012 (NOK 1 020 million). Statnett's permitted revenue for previous years has been adjusted, and the regulator has approved Statnett's higher revenue balance as of 31 December 2011. In total this reduced the balance for higher revenue by NOK 272 million as of 31 December 2011. The higher revenue will be returned to Statnett's customers over time through adjustment of tariffs. The profit after tax at the end of the year, adjusted for changes in higher/lower revenue and estimated interest costs, was NOK 234 million.

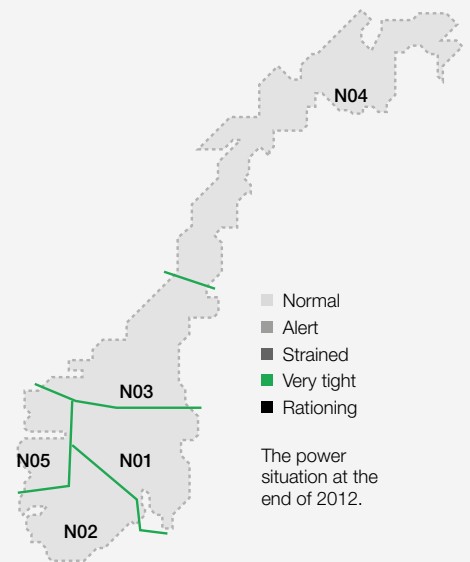
The hydrological balance normalised in the fourth quarter due to low precipitation. Reservoir levels decreased throughout the quarter and were at median level at the end of 2012.

On 3 January one person died in a work accident at Kristiansand transformer station. The accident took place during rebuilding of one of Statnett's power lines. The deceased was employed by the contracting company Opp AS, a sub-supplier for Nettpartner, who is the general contractor for the work on the power line. The accident is being investigated by the Police and the Norwegian Labour Inspection Authority. Statnett has also instigated its own investigation of the accident.

Important events

- Statnett, KfW and TenneT TSO GmbH have entered into a joint venture agreement for the development, construction and operation of a 1400 MW subsea cable between Norway and Germany.
- Statnett has installed a back-up cable in Ytre Oslofjord due to delays in the delivery of new cables. The back-up cable can be put into operation 1 – 2 weeks after a decision to do so has been made.
- Sunnhordland Kraftlag, BKK Nett and Statnett have signed a cooperation agreement for upgrading Statnett's power lines between Sauda and Samnanger.
- The Nordic secondary reserves market was launched in Norway in December. The new reserves, Frequency Restoration Reserves (FRR), will be activated between the current primary reserves and the regulating power market and will help stabilise the frequency. The launch of the secondary reserves market marks an important step towards improved operational reliability in the Nordic power system, and will pave the way for increased power exchange and more renewable energy.
- It has been decided that Fingrid will have the main responsibility for balance settlement in Norway, Finland and Sweden. A separate jointly owned company will be established with headquarters in Finland as well as local representation in Statnett and the Swedish grid company Svenska Kraftnät.
- The Norwegian Water Resources and Energy Directorate (NVE) has adopted amendments to the Internal Control Regulations which will help ensure that the necessary grid investments are made. The amendment will lead to an increase in the NVE interest rate used to calculate the grid companies' return on grid capital.
- Statnett has been certified by Lloyd's Register according to the PAS 55 quality standard. PASS 55 is a standard for optimised asset management.
- The Statnett Board of Directors upholds the plans for a new 420 kV power line between Nordland and Finnmark counties. The plan to construct a power line from Ofoten to Skaidi still stands and the Board of Directors has made an investment decision in principle for the southern section from Ofoten to Balsfjord.
- In January 2013 two operating records were set: A production record of 26 075 MW was set on 16 January, and consumption peaked at 24 180 MW on 23 January.

Directors' report



Security of supply

The power situation in Norway was good throughout the fourth quarter of 2012 and is considered normal. The period was characterised by low precipitation and colder weather than normal. At the beginning of the quarter, reservoir levels were five percentage points above the median (from the 1993-2011 measuring period). At the end of 2012, reservoir levels were 70 percent, at median level.

Snow reservoirs were normalised in the fourth quarter and were about five TWh below normal towards the end of the period. Due to low precipitation there was a change in the hydrological balance from a surplus of 10 TWh to a deficit of 3 TWh during the period.

Net exports for the quarter were 2 TWh. Net exports were 6 TWh in the corresponding period in 2011. Net imports were only necessary for two weeks in 2012.

On 3 December, the Frequency Restoration Reserves (FRR) were activated for the first time in Norway and the Nordic region. These are automatic reserves that are activated on the basis of the measured frequency and will help improve the Nordic frequency quality.

The 420 kV power line between Aura and Viklandet came online on 4 November after having been out of operation since 2 April 2012 due to a fault.

There were several operational interruptions in the grid in the fourth quarter. The most important incidents were:

- An outage of T1 and T2 on 13 November resulted in a blackout at Hydro Aluminium in Sunndalsøra. A load outage of approximately 550 MW occurred, lasting for about 45 minutes. 65 MW of ordinary consumption was interrupted for 10 minutes.
- In connection with work at Rød transformer station on 19 November an operational interruption occurred which released all 420 kV and 300 outlets. The manufacturing industry at Herøya, Rafnes and Esso Slagentangen was affected and approx. 500 MW of production was interrupted. Industrial consumption and production were resumed after approx. 35 minutes. Rød T4 was back in service on 25 January 2013.
- Outages in Aura on 30 November resulted in an interruption in the supply of 15 MW into Sunndalsøra, lasting for

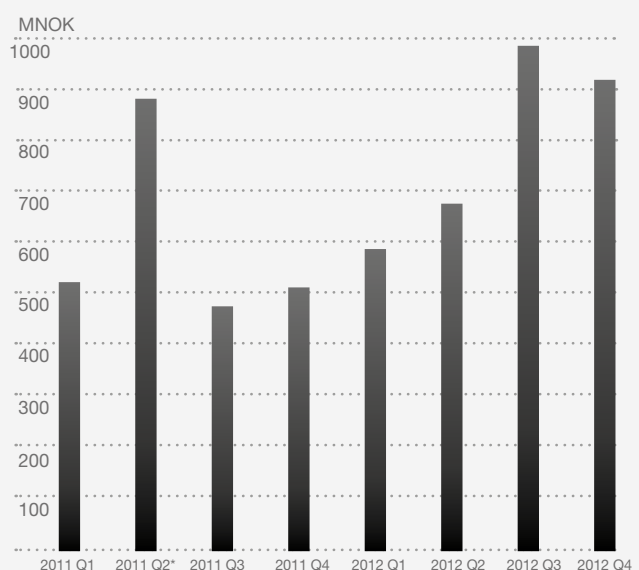
about ten minutes. Hydro Aluminium Sunndalsøra had to reduce all consumption for about 45 minutes due to problems with the treatment plant and water supply.

- A storm on 14 and 15 December broke a pylon on the 300 kV power lines between Saurdal - Sauda and Førre - Lyse. The power lines returned to operation on 11 and 18 January 2013, respectively. Brief outages also occurred on the 300 kV power lines between Blåfalli and Husnes, resulting in disconnection of 170 MW of industrial consumption at Husnes on two separate occasions.

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 investment plan 2012. The plans are in line with the white paper Stortingsmelding 14 (2011-2012). In 2012 Statnett invested NOK 3 152 million (NOK 2 384 million), which is the sum of commissioned and ongoing investment projects.

Investments Statnett Group



* Includes acquisition of assets from Hafslund NOK 323 million

The most important projects are listed on the next page.

Overview of major investment projects

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

Project	Location	Expected investments NOK million
Completed projects		
Hasle transformer stations		NOK 400 million
Ongoing major investment projects		
Ørskog - Sogndal	Møre og Romsdal/Sogn og Fjordane	NOK 4 600 - 5 600 million
Voltage upgrade Eastern corridor (Kristiansand - Rød)	Vest-Agder/Telemark	NOK 1 350 - 1 950 million ¹⁾
Major investment in transformer stations (Frogner, Mestervik spare transformers and reactors for power reduction)		NOK 1 400 - 1 750 million
Skagerrak 4	Norway/Denmark	NOK 1 400 - 1 700 million ²⁾
Ytre Oslofjord	Vestfold/Østfold	NOK 1 200 - 1 400 million
Sima - Samnanger	Hordaland	NOK 900 - 1 100 million
Varangerbotn - Skogfoss	Finnmark	NOK 480 - 580 million
Licences pending or appealed		
Ofoten - Balsfjord - Hammerfest	Nordland/Troms/Finnmark	NOK 8 000 - 12 000 million
Voltage upgrade Western corridor	Vest-Agder/Rogaland	NOK 6 000 - 9 000 million
Station investments (Hamang, Lakselv, Mestervik, Feda and transformer capacity Eastern Norway)		NOK 2 900 - 4 100 million
Storheia - Snillfjord - Trollheim	Sør-Trøndelag/Møre og Romsdal	NOK 2 600 - 3 900 million
Namsos - Roan - Storheia	Trøndelag	NOK 1 400 - 2 100 million
Voltage upgrade in Central Norway		
Subsection Klæbu - Namsos	Trøndelag	NOK 700 - 1 000 million
Reinvestments Indre Oslofjord - interconnectors		NOK 670 - 870 million
Planning proposal submitted		
The South-West Link	Norway/Sweden	NOK 3 300 - 5 000 million
"Arctic Circle" Skaidi - Varangerbotn	Finnmark	NOK 2 250 - 3 500 million
Interconnectors		
Cabel to England		NOK 6 000 - 8 000 million ²⁾
Cabel to Germany		NOK 6 000 - 8 000 million ²⁾
ICT projects		
Renewal of Statnett's central operations system		NOK 400 - 500 million
New Regulation and Market System		NOK 200 - 250 million
Computer network for power system management		NOK 200 - 250 million

1) Sections are under licensing

2) Statnett share

The amounts in the table show the anticipated interval including all project costs. Commissioned and ongoing projects are shown in current Norwegian Kroner, other projects in 2012 NOK.

Important project events in the fourth quarter of 2012

- *Hasle transformer station:* The project is completed and in operation. The reconstruction has been completed at lower cost than originally estimated.
- *Voltage upgrades Eastern Corridor Kristiansand - Rød:* Construction work is ongoing on Arendal transformer station. The licence from the Norwegian Water Resources and Energy Directorate (NVE) for the Bamble - Rød section has been appealed to the Ministry of Petroleum and Energy (MPE), which conducted an appeal inspection in January 2013. The work is scheduled to start on the part of the installation for which no appeals have been lodged.
- *Ytre Oslofjord:* Due to aforementioned delays in the project, a back-up cable has been deployed. The back-up cable can be put into operation 1 – 2 weeks after a decision to do so has been made. The production of a prototype oil cable has been completed and preparations for type testing are ongoing.
- *Ofoten - Balsfjord - Hammerfest:* The NVE has granted Statnett a licence for these sections, including new transformer stations and expansion of existing ones. The decision has been appealed and has been submitted to the Ministry of Petroleum and Energy (MPE). An appeal inspection was conducted in October 2012. In January 2013, the Statnett Board of Directors made an investment decision in principle for the Ofoten - Balsfjord section.
- *Voltage upgrade Western Corridor:* A licence application has been submitted for 80 per cent of the section. The Board of Directors has made an investment decision in principle for the part of the project requiring insulation upgrade.
- *Interconnectors to Germany and England:* The projects are progressing according to plan. Statnett has signed a partnership agreement with TenneT and the German state-owned financial institution KfW and is, together with these partners, developing the subsea cable project to Germany towards a final investment decision in 2014.

Financial results

The interim report has been submitted in accordance with International Standards for Financial Reporting (IFRS) and

interpretations stipulated by the International Accounting Standards Board (IASB). The accounting standards for presentation of financial accounts (IAS) and interim reports (IAS34) have been adhered to. The accounting principles and calculation methods used in the interim financial statements are the same as in the most recent annual financial statement.

Operating revenues

The Group's operating revenues in the fourth quarter of 2012 totalled NOK 1 341 million (NOK 1 317 million in the fourth quarter of 2011). Operating revenues from regulated operations totalled NOK 1 277 million (NOK 1 254 million), while other operating revenues amounted to NOK 64 million (NOK 63 million). Congestion revenues and tariff revenues were on a par with the corresponding period in 2011.

The Group's total operating revenues for 2012 amounted to NOK 5 334 million (NOK 5 497 million). Operating revenues from regulated operations totalled NOK 5 090 million (NOK 5 316 million), while other operating revenues amounted to NOK 244 million (NOK 181 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 energy prices in 2012, somewhat offset by increased congestion revenues. Heavy precipitation combined with high reservoir levels resulted in low energy prices in Norway and large price differences compared with the Netherlands, Sweden and Denmark in the first nine months of 2012. This combined with high exports led to higher 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 level out over time through adjustment of future grid tariffs. In the fourth quarter of 2012, Statnett's higher revenue amounted to NOK 301 million (NOK 157 million). In 2012, the higher revenue totalled NOK 1 065 million (NOK 1 020 million). Statnett's basis for calculating the revenue cap for previous years has been adjusted by NOK 272 million, as has the higher revenue as of 31 December 2011. Accumulated higher revenue including interest was NOK 3 455 million at the end of 2012.

Operating costs

The Group's operating costs totalled NOK 1 114 million in the fourth quarter of 2012 (NOK 973 million). The increase was mainly due to increased personnel costs as well as increased activities in on the interconnectors. Lower system services costs reduced the deviation somewhat.

System services costs were NOK 34 million lower in the fourth quarter of 2012 than in the corresponding period in 2011, primarily due to lower special regulation costs. Inflow in 2011 was extraordinary high, and in some parts of the country production was higher than the grid capacity. Production had to be regulated downwards despite water loss at some power plants. This was particularly costly during the revision period.

In the fourth quarter of 2012, transmission losses were on a par with the corresponding period in 2011.

Wage costs increased by NOK 44 million in the fourth quarter of 2012 compared with the corresponding period in 2011. This was due to an increase in pension costs resulting from changes in actuarial assumptions in pension calculations. In addition there has been an increase in staff throughout 2012 as a result of increased activity in development, operations and maintenance.

Depreciation and write-downs in the fourth quarter of 2012 were on a par with the costs in the corresponding period of 2011.

Other operating costs were NOK 133 million higher in the

fourth quarter of 2012 than in the corresponding period of 2011. This was primarily due to increased activity on the interconnectors.

At the end of 2012, operating costs totalled NOK 3 901 million (NOK 3 869 million).

System services costs were reduced by NOK 70 million due to reduced costs of primary reserves and special regulations. Increased costs of tertiary reserves and increased transit costs reduced the deviation somewhat.

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

Wage costs increased by NOK 142 million in 2012 compared with 2011. The increase is related to increased pension costs as well as a staff increase in 2012.

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 activity on the interconnectors as well as reversal of provisions related to the cost-sharing agreement for NorNed's first two operating years.

Operating profit

The Group's operating profit in the fourth quarter of 2012 was NOK 227 million (NOK 344 million). The Group's operating profit for the year was NOK 1 433 million (NOK 1 628 million).

Financial items

Net financial items amounted to a loss of NOK 67 million in the fourth quarter of 2012 (loss of NOK 73 million). Net financial items for the year amounted to a loss of NOK 280 million (loss of NOK 276 million).

Net profit

The Group's profit after tax in the fourth quarter of 2012 was NOK 115 million (NOK 226 million). For the year, the profit after tax totalled NOK 837 million (NOK 1 000 million). The profit after tax for the year amounted to NOK 234 million, adjusted for changes in higher/lower revenue, including decisions relating to earlier years of NOK 272 million and estimated interest costs.

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 a loss of NOK 3 085 million. In total, loans were paid down by NOK 4 439 million, and new loans of NOK 5 903 million were raised. At the end of 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.

Subsidiaries and associated companies

Statnett SF owns Statnett Transport AS a 100 percent. 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 end of 2012, Statnett SF had an ownership interest of 28.8 percent in Nord Pool Spot AS. Statnett's share of the result in Nord Pool ASA contributed NOK 9 million (NOK 5 million) to the Statnett Group's profit in 2012.

Risk

Statnett's risk management aims to reflect the fact 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 practises unified risk management. This entails a common methodical basis and framework, as well as coordination of activities across units in the organisation as and when required. Risk management is a significant part of the continuous management of the company and is reported to the Board on a quarterly basis.

Operational risk

HSE risk. A significant part of 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 strong focus on health, safety and environment risks. This HSE risk is reduced by focussing on sound, documented work processes, safe job analyses, strong management focus on HSE, as well as the reporting of incidents and near misses in a learning perspective.

Statnett has implemented several major projects, and is planning to launch a number of new projects. This entails 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. Significant common risk factors in the project portfolio include HSE-risks, disconnection needs in the existing grid, capacity challenges relating to certain expertise groups, allocation of licences and authority permits as well as insufficient quality deliveries. Risk is managed by keeping a strong focus on quality in work processes, through various implementation models and internal allocation of expertise and capacity.

In order to increase the company's implementation ability 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 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.

Statnett's project portfolio is increasing. To ensure good governance, the Board of Statnett has appointed a project committee. The project committee shall verify that Statnett has satisfying management of the projects and that the projects have good HSE practice, supply good technical quality, follow schedules, abide budgets and are cost effective.

Risk of grid facility faults. Interruptions in the electricity supply due to grid facility faults may occur as a result of a fault in a single component in a facility during N-0 operation or as a result of concurrent faults in facilities in N-1 operation. Some geographical areas have N-0 supply for parts of the year; such as Bergen, Stavanger, Northern Norway and parts of Eastern Norway. In 2012, few incidents have resulted in outages for end-users. Estimated costs of energy not supplied for connected end-users (under the KILE scheme) amounted to NOK 31 million in 2012, compared with NOK 208 million in 2011.

The risk level for the coming period is normal based on a regular hydrological situation, as it in some cases will be possible to generate electricity locally should a fault occur in a transmission facility. For areas supplied by N-1 operation, at least two faults must occur in a grid facility 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, but may lead to interruptions with greater consequences. Important measures for managing the risk of faults in grid facilities include asset management, including investments and maintenance, system operations and preparedness.

A fault in the operating control system may lead to disruptions in the power system, power failures, and 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.

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 for high utilisation. Even with a dry winter the power situation is likely to remain good until spring culmination in 2013. Other measures that will be implemented to reduce the risk include purchase of energy options in consumption and earlier investments in back-up power facilities.

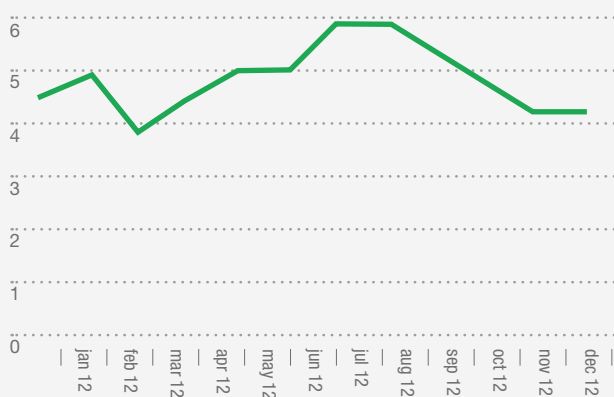
Financial risk

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.

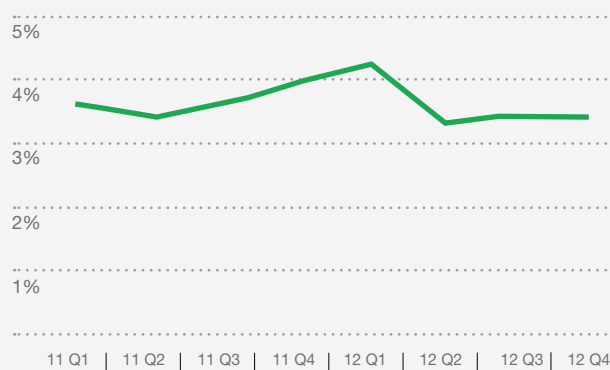
Interest rate risk. Statnett's permitted revenues from grid activities are partly calculated as return on the enterprise's grid capital, calculated on the basis of the NVE interest rate. The model used to calculate the NVE interest rate has been changed with effect from 1 January 2013. The change will reduce Statnett's interest rate risk, as the new model is more in line with that of the grid companies, and Statnett's real financing costs.

Financial risk. Statnett has access to multiple credit markets and has a diversified maturity structure on its borrowings.

H value rolling 12 months' average



Absence due to illness



This reduces the risk of Statnett not being able to refinance the company's loans during periods with little available capital. The enterprise has a credit facility totalling NOK 3.5 billion with a five-year term to be able 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.

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.

Corporate social responsibility

Corporate social responsibility (CSR) is an integrated part of Statnett's fundamental values, being the core of the management system and contains the tools needed to conduct activities in the right way. CSR in Statnett is 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 the customers and society at large, and that Statnett will pave the way for realisation of Norway's climate objectives. CSR in Statnett entails integration of social and environmental considerations in the company's daily operations and that CSR is embedded in the company's continuous corporate governance and anchored in the enterprise's management and organisation. See Statnett's annual report 2011 for more information about CSR.

Health, Safety and Environment (HSE)

On 3 January an accident occurred during rebuilding of a power line at Kristiansand transformer station, where one contractor employee lost his life. The incident will be investigated by the Police and the Norwegian Labour Inspection Authority. In addition, Statnett has instigated its own investigation of the accident to ensure that the company's internal needs are safeguarded in this matter.

There were no internal lost-time injuries in the fourth quarter of 2012.

In the fourth quarter, HSE forum was held for 70 managers, safety delegates and HSE personnel. HSE was one of the main topics at the bi-annual management meeting which focussed on continuation of the HSE action plan.

The Group's overall absence due to illness was 3.4 percent in the fourth quarter of 2012, compared with 3.9 percent in the corresponding period in 2011.

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 being a development and implementation phase. This will involve both new power lines and facilities, as well as upgrading existing ones. 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 is working on 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. These projects will help ensure security of supply during cold and dry spells and balance variations in German and British renewable power production throughout the day. Power exchange capacity generates value creation in Norway. Moreover, the projects will support the ambitions 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 company's investment activities in new and existing grid facilities, Statnett's asset bases 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, and was recently certified in accordance with PAS 55. PAS 55 is a quality standard which represents best practice for optimum asset management in a lifetime perspective. It 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.

The increased investments will result in higher tariffs in the years to come. However, 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.

The Parliament has decided to discontinue Main Grid User Council. To ensure a continued good dialogue with users and customers Statnett has established a Market and Operation Forum.

Oslo, 14 February 2013

The Board of Directors, Statnett SF

Statement of comprehensive income

Statnett Group

<i>(Amounts in NOK million)</i>	Fourth quarter		Year	
	2012	2011	2012	2011
OPERATING REVENUE				
Operating revenue regulated operations	1 277	1 254	5 090	5 316
Other operating revenue	64	63	244	181
Total operating revenue	1 341	1 317	5 334	5 497
OPERATING COSTS				
System services	117	151	505	575
Transmission losses	180	178	591	854
Wage costs	211	167	802	660
Depreciation and write-downs of tangible fixed assets	239	243	827	798
Other operating costs	367	234	1 176	982
Total operating costs	1 114	973	3 901	3 869
Operating profit	227	344	1 433	1 628
Revenues from associate	3	2	9	5
Financial income	18	27	95	80
Financial costs	85	100	375	356
Profit before tax	163	273	1 162	1 357
Tax	48	47	325	357
Profit for the period	115	226	837	1 000
OTHER COMPREHENSIVE INCOME				
Changes in fair value for cash flow hedges	-9	-	-58	-51
Tax related to other comprehensive income	3	1	16	15
Other comprehensive income	-6	1	-42	-36
Total comprehensive income	109	227	795	964

Balance sheet

Statnett Group

(Amounts in NOK million)

	31.12.12	30.09.12	31.12.11
ASSETS			
INTANGIBLE FIXED ASSETS			
Goodwill	53	53	53
Other intangible fixed assets	13	13	13
Total intangible fixed assets	66	66	66
NON CURRENT FIXED ASSETS			
Tangible fixed assets	17 877	17 290	17 396
Plant under construction	4 277	4 116	2 437
Investment in associate	54	51	54
Long-term investments	1 242	1 271	1 188
Total fixed assets	23 450	22 728	21 075
CURRENT ASSETS			
Trade accounts receivable and other short-term receivables	976	751	1 138
Investment in commercial market-based securities	668	691	600
Liquid assets	634	740	1 002
Total current assets	2 278	2 182	2 740
Total current assets	25 794	24 976	23 881
EQUITY AND DEBT LIABILITIES			
EQUITY			
Contributed capital	2 700	2 700	2 700
Retained earnings	6 255	6 146	5 577
Total equity	8 955	8 846	8 277
PROVISIONS FOR LIABILITIES			
Deferred tax	463	463	406
Pension liabilities	407	371	353
Other liabilities	75	77	66
Long-term interest-bearing debt	12 485	12 503	10 974
Total long-term liabilities and debt	13 429	13 414	11 799
CURRENT LIABILITIES			
Short-term interest-bearing debt	1 906	1 104	2 302
Trade account payable and other short-term debt	1 251	1 406	1 232
Tax payable	253	206	271
Total current liabilities	3 410	2 716	3 805
Total equity and debt liabilities	25 794	24 976	23 881

Statement of changes in equity

Statnett Group

<i>(Amounts in NOK million)</i>	Total equity	Non-controlling interest	Total equity allocated to the owner of Statnett SF	Other equity accrued	Other items	Contributed capital
Equity as at 1.1.2011	7 628	-22	7 650	4 953	-3	2 700
Profit/loss for the year	1 000	-21	1 021	1 021	-	-
Other comprehensive income	-36	-	-36	-	-36	-
Dividends declared	-315	-	-315	-315	-	-
Acquisition subsidiaries	-	43	-43	-43	-	-
Equity as at 31.12.2011	8 277	-	8 277	5 616	-39	2 700
Equity as at 1.1.2012	8 277	-	8 277	5 616	-39	2 700
Profit/loss for the year	837	-	837	837	-	-
Other comprehensive income	-42	-	-42	-	-42	-
Dividends declared	-117	-	-117	-117	-	-
Equity as at 31.12.2012	8 955	-	8 955	6 336	-81	2 700

Cash flow statement

Statnett Group

<i>(Amounts in NOK million)</i>	2012	2011
Cash flow from operating activities		
Profit before tax	1 162	1 357
Loss/gain(-) on sale of fixed assets	3	-3
Ordinary depreciation and write-downs	827	798
Paid tax for the period	-271	-566
Interest recognised in the income statement for the period	376	320
Interest received for the period	43	43
Interest paid for the period	-432	-332
Changes in trade accounts receivable/payable	65	503
Changes in other accruals	-338	-592
Profit/loss from companies using equity method	-9	-5
Net cash flow from operating activities	1 426	1 523
Cash flow from investing activities		
Proceeds from sale of tangible fixed assets	52	12
Purchase of tangible fixed assets and plants under construction	-3 152	-2 384
Dividend received	15	2
Net cash flow from investing activities	-3 085	-2 370
Cash flow from financing activities		
Proceeds from new interest-bearing borrowings	5 903	2 781
Repayment of interest-bearing debt	-4 439	-1 738
Proceeds from sale of market-based securities	220	367
Purchase of market-based securities	-276	-375
Dividends paid	-117	-315
Net cash-flow from financing activities	1 291	720
Cash flow from financing activities	-368	-127
Cash and cash equivalents at the start of the period	1 002	1 129
Cash and cash equivalents at the close of the period	634	1 002

Included under the item cash and cash equivalents as at 31.12.2012 are reserved tax withholdings to the amount of NOK 50 million in the Group.

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

Note 1 – Accounting Principles

The interim accounts for the fourth quarter 2012 have been presented in accordance with IAS 34. The interim accounts do not contain all the additional information required in the annual accounts, and should therefore be read in the context of the consolidated accounts presented on 31 December 2011.

The accounting principles that have been applied for the interim accounts for the fourth quarter of 2012 are consistent with the accounting principles that were applied for the consolidated accounts presented on 31 December 2011.

Note 2 – Operating revenues regulated operation

Statnett's operating revenues mainly derive from regulated grid operations. Operating revenues from regulated activities in Statnett's financial reporting consist primarily of fixed grid tariffs from the customers as well as congestion revenues (price differences between areas in the Nordic region and towards the Netherlands). Statnett's grid operations are regulated by the NVE which stipulates a cap for Statnett's revenues (permitted revenue). If the total revenues from grid operations for one year diverge from the permitted revenue, so-called higher or lower revenue will occur. Higher/lower revenue will level out over time through adjustment of future grid tariffs.

In 2012, the higher revenue totalled NOK 1 065 million (NOK 1020 million). Statnett's permitted revenue for previous years has been adjusted, and the regulator has approved Statnett's higher revenue balance as of 31 December 2011. In total this reduced the balance for higher revenue by NOK 272 million as of 31 December 2011. Accumulated higher revenue including interest was NOK 3 455 million at the end of 2012.

<i>(Amounts in NOK million)</i>	2012	2011
Statnett Group		
Tariff revenues	4 399	4 771
Congestion revenues	877	768
Income from other owners in shared grids	-186	-223
Total operating revenues regulated activities	5 090	5 316
Total permitted revenue	4 025	4 296
This year's higher/lower (-/+) -revenue, excl. interest	-1 065	-1 020
This year's provision for interest higher/lower (-/+) -revenue	-45	-44
Changed permitted revenue for previous years	272	-
This year's changed balance for higher/lower (-/+) -revenue	-838	-1 064
Balance higher/lower (-/+) -revenue, incl. interest as at 1 Jan.	-2 617	-1 553
Changed balance for higher/lower (-/+) -revenue, incl. Interest	-838	-1 064
Balance higher/lower (-/+) - revenue, incl. interest year to date	-3 455	-2 617

Note 3 – Amendments to IAS 19 Employee Benefits - Pensions

The EU has approved amendments to IAS 19 Employee Benefits. The amendments will be effective for fiscal years starting on 1 July 2012 or later. Previous application is permitted. The Group will implement the adjusted standard as of 1 January 2013.

Cf. Note 1 Accounting Principles in the 2011 Annual Report for more details.

Statnett

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