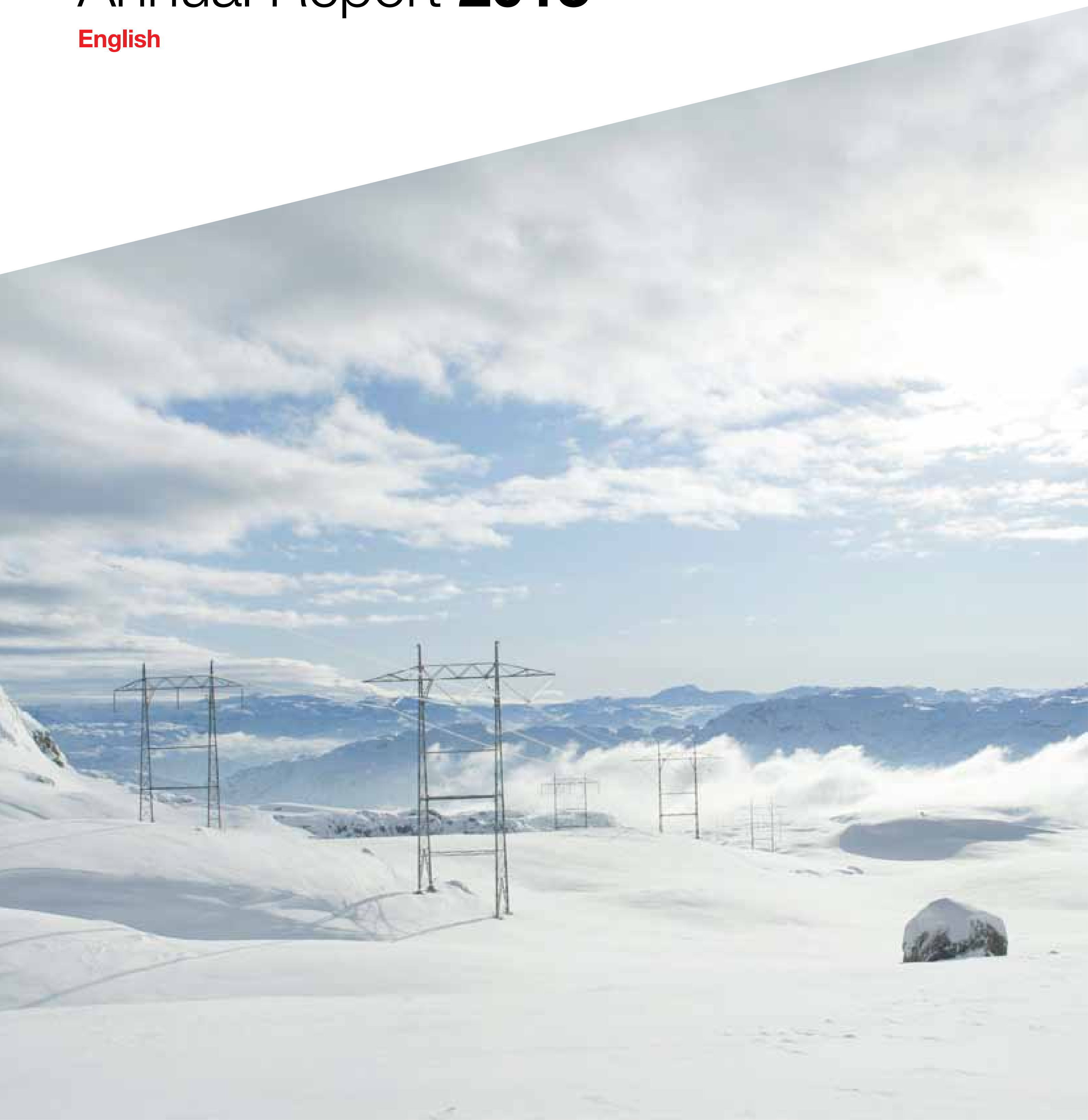
Statnett

Annual Report **2013**

English



Content

The President and CEO comments on the 2013 annual report

Over the course of 2013, Statnett completed 140 km of power lines, exceeding NOK 6 billion in investments.

Auke Lont
President and CEO

2013 was the year when Statnett really started to see the results of what will be the next generation main grid. Several large projects were finalised, and the projects were completed on time and budget. In October, we also presented the revised Grid Development Plan. This confirms investments of NOK 5-7 billion in new power lines and substations every year for the next ten years. This means that Statnett achieved cruising speed as regards investments for the coming years.

Over the last few years, we have implemented measures to enable the company to handle large projects, both current and future. We have increased our staff and raised our expertise in line with the new challenges, and are working actively in the supplier market to ensure that our standards for quality, cost and health, safety and the environment are met. A comparison carried out by the Norwegian Water Resources and Energy Directorate (NVE) shows that Statnett is among the most efficient TSOs in Europe. At the same time, we are focusing on becoming more efficient, making further adjustments to the organisation in 2013. We have also implemented a programme to raise efficiency yearly by 5 percent over the next three years. Statnett also makes significant investments in research and development to find new and better applications for technology which can contribute to execute our development projects, and operate the power system in a more efficient manner.

In addition, the injection of new equity in 2013 from the Ministry of Petroleum and Energy (MPE) provides us with the financial ability to undertake the many and large projects that will ensure security of supply, facilitate development of society and provide sound climate solutions.

Operations and development

In parallel with our investments, Statnett must ensure security of supply, right here and now. This is demanding in a power system which is not just in the process of being rebuilt, but which also experiences major variations in consumption and generation.

In 2013, we had a good power situation for large parts of the year with the exception of a period in April/May as a result of little precipitation in the latter part of the winter. Inflow into hydropower reservoirs has fluctuated throughout the year, with high inflow in autumn and early winter, while temperatures have been unseasonably mild.

We have completed several projects in 2013. The new power line between Sima and Samnanger secures the supply into the Bergen area, while a new power line between Varangerbotn and Skogfoss strengthens the supply into east Finnmark. However, as in earlier years, we had power supply outages in 2013, including outages in north-western Norway and northern Norway which emphasised that new investments in power lines, transformer substations and upgrade projects are necessary to secure electrical supply for the future. However, it is not sufficient to build and upgrade. Grids must also be operated, 24 hours a day, all year round. Communication is essential to operate our advanced power system. We have multiple R&D-projects underway to develop more efficient solutions, such as the Smart Grid. This is a project to automate monitoring, management and operation of the power system. Everyone will have automatic electricity meters at home, and we are working on an electricity hub which will be important for the introduction of the new meters.

The power system also depends on a well-functioning power market. The Nordic market is part of an increasingly integrated European market. From February 2014, the Nordic market became part of the north-west European market coupling, which covers 75 percent of the power consumption in Europe. This facilitates increased trading across national boundaries, more correct price formation for power and a more climate-friendly power system. In this perspective, it is also significant that Statnett has started the development of new international interconnectors in cooperation with National Grid in the UK and TenneT in Germany.

Outlook

In 2013, the international climate panel IPCC confirmed the need for more carbon-free energy. We see that new renewable energy is being developed in Norway and, to an even larger extent, in other parts of Europe. In Germany, for instance, 200 MW of new wind power is installed every month. We also see that the power consumption is growing. A new Norwegian consumption record was set in 2013. In addition, 8 000 Norwegians bought an electric car in 2013, twice as many as in 2012. This forms the background when looking forward.

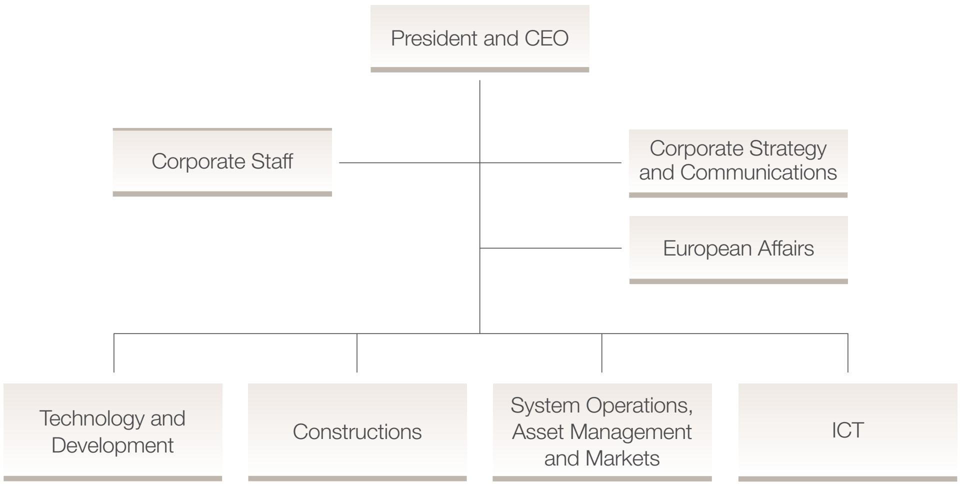
For Statnett, it will primarily be important to maintain the activity level we achieved in 2013. In 2014, several large projects will be completed, such as the cable across the outer Oslofjord and the Skagerrak 4 interconnector between Norway and Denmark. Now, new major tasks await Statnett. We will initiate a comprehensive upgrade project in southern Norway while operating the grid. Start-up for one of the largest power line projects in Norway, from Ofoten to Hammerfest, is also nearing completion. We have received a final licence for the first section from Ofoten to Balsfjord, and start-up is scheduled for May. Over the course of 2014, we will pass several important milestones for the major cable projects to Germany and the UK, and we will prepare Statnett for the consequences of the implementation of the EU's third electricity market package in Norway. A consultation proposal from the Ministry of Petroleum and Energy aims to assign the ownership of the remaining parts of main grid, which have so far been owned by 20 or so different energy companies, to Statnett.

Health, environment and safety is also a core challenge for the industry, and Statnett puts HSE first. This is necessary as the operation and development of the power system include many work operations that can entail safety hazards. We expect that the industry players and the supplier industry will establish shared, high ambitions and realise them.

Over the course of 2013, Statnett achieved cruising speed for its investments in grids and facilities. This will provide us with the next generation main grid by 2030. A grid that will facilitate a future that we expect to be increasingly dependent on secure access to electricity. However, 2030 is a long way off, and we must now focus on the next few years. We have our heading – we are underway.

Statnett's organisation and Group Management

Statnetts business is organised into four divisions, in addition to Corporate Strategy and Communications and Financial and Corporate Services. Auke Lont is the President and CEO.



Technology and Development

Technology and Development plan the national grid and project development. The division is also responsible for portfolio management and for preparing analyses of the power system. R&D is a part of this division.

Constructions

The division's main responsibility is to implement Statnett's development projects, and hold the role of the builder. The division is also responsible for Statnett's emergency response unit in the event of grid faults

System Operations, Asset Management and Markets

The division is responsible for security of supply in the enterprise. The responsibility lies in exercising the system operator responsibility in the Norwegian power system and manage ownership of Statnett's grid infrastructure and ensure efficient operations and preparedness response. The division will also ensure a well-functioning electricity market.

ICT

The ICT division operates, maintains and develops systems that monitor and control the power grid, system operation and settlement.

Corporate Strategy and Communications

The staff unit is responsible for the business strategy, communication and public affairs, as well as for follow-up of customer relations, the company's tariff strategy and international advisory services.

Corporate Staff

The corporate staff is to ensure consistent corporate governance and service delivery within the HSE, corporate management, legal advice, human resources and accounting and finance. In addition, the corporate staff is responsible for grid transactions.

European Affairs

European Affairs is a new division responsible for strengthening and coordinating Statnett's activities in EU and towards the European market. The head of the unit reports to the President and CEO.

Presentation of the Group management

Bente M. Haaland

Executive Vice President Corporate Strategy and Communications

Haaland holds an MSc from the University of Aberdeen and a Master in management from BI Norwegian Business School. She has 20 years of experience from the energy sector, 15 of these with Statnett. Haaland has worked for Statkraft and the Eclipse Energy Group. Haaland was a member of Statnett's User Council on behalf of EBL from 2008 to 2010 and has also been a board member in Statnett Insurance. January 2014, Haaland took up the post of Executive Vice President for Strategy and Communications.

Håkon Borgen

Executive Vice President Technology and Development

Borgen has a Master's degree in Electrical Power from the Norwegian University of Science and Technology (NTNU) and Technische Hochschule Darmstadt (THD) in Germany. He has also completed a Master's Degree module in Project Management from BI Norwegian Business School. Borgen has 21 years' experience from the energy sector, 18 of these with Statnett. He has previously held several senior executive posts at Statnett and is a member of several boards.

Elisabeth Vike Vardheim

Executive Vice President Constructions

Vardheim holds a Master of Science in petroleum geology/finance from the Norwegian University of Science and Technology (NTNU) as well as a business economics degree and a Master module from BI Norwegian Business School. She was previously Director for the project owner unit in Statnett where she held several management positions after joining Statnett in 2007. Vardheim has many years of experience from management positions in public administration within different sectors and has been project manager for several development projects including for the builder's organisation for the Lillehammer Olympics in 1994.

Auke Lont

President and CEO

Lont holds a Master's degree in Economics from Vrije University in Amsterdam. He became President and CEO of Statnett in February 2009 after having held the position of CEO with the consulting company Econ Pöyry Analysis in Norway. Lont has previously been Senior Vice President in Statoil and Nordic Energy, Chief Economist and Director General of Econ Analysis, Cape Town and Director General of Naturkraft AS. He has more than 20 years' experience from the energy sector. Auke Lont is Chair of the Institute for Energy Technology.

Øivind K. Rue

Executive Vice President, System Operations, Asset Management and Markets

Rue holds a Master's Degree in Political Science from the University of Oslo. He has been with Statnett since 2007 and has has held several management positions in the company. Rue heads the Regional Group Nordic in ENTSO-E responsible for coordinating the operations in the Nordic synchronous area. He was formerly Director of Saga Petroleum AS and Deputy Assistant Director General at the Norwegian Ministry of Trade and Industry. He is a board member of Eksportkreditt. Rue is emergency unit leader in Statnett.

Peer Olav Østli

Executive Vice President ICT

Østli holds a Master of Science in Informatics and also has post-graduate management training from Henley Management College. He has over 20 years' experience of technology management from the telecom, media and IT industries, including various positions with Telenor and Schibsted. Østli joined Statnett in 2007.

Knut Hundhammer

Executive Vice President, CFO and Chief of Staff

Hundhammer was educated at the Norwegian Military Academy and has an MBA from Wharton School of Business in the US. He joined Statnett in May 2011. He has previously been Senior Vice President/CFO of Finansbanken ASA and of Høegh Autoliners. He has also been President and CEO of the commercial shipping division in the Klaveness Group, and a consultant for McKinsey & Co.

Highlights **2013**

Sima-Samnanger completed

The new 420 kV Sima-Samnanger power line came online in December 2013. The project was completed on schedule and in accordance with the budget stipulated at the time of the final investment decision.

The power line is important both for security of supply to large parts of Hordaland in western Norway and for facilitating development of new renewable energy in the area.
In cold and dry winters, the electricity supply to parts of Hordaland and Bergen has been very vulnerable. In this situation, a single fault on one of the power lines could have resulted in extensive, long-term power outages. The new Sima-Samnanger interconnector has increased security of supply in the area.

Varangerbotn-Skogfoss in operation

The new 132 kV power line between Varangerbotn and Skogfoss in northern Norway entered service in October 2013, and the high-voltage facilities in Varangerbotn and Skogfoss have been modified. The project is scheduled for commissioning in late summer 2014, as some minor substation work still remains. Construction has been ongoing since March 2010, and several local subcontractors have been involved.

The power line in the county of Finnmark is part of the next generation main grid, and will increase security of supply in eastern Finnmark. This is particularly significant for the Kirkenes area, which is one of the future key growth centres for industry in northern Norway.

New subsea cables in Ytre Oslofjord

In November 2013, the Ytre Oslofjord facility entered operation with six of nine new cables. The final three oil cables will be installed in 2014. The subsea interconnector is important for security of supply in eastern Norway, and is an update of a facility dating from 1981. The new subsea cable facility in Ytre Oslofjord is part of the 420 kV interconnector Rød-Hasle.

Final licence awarded for Ofoten-Balsfjord

In August, Statnett received a final licence for the construction of a new 420 kV power line from Ofoten to Balsfjord. The power line will be 150 kilometres long and is part of a planned interconnector to Skaidi/Hammerfest. The power line will improve security of supply in northern Norway and facilitate increased value creation in the region. Construction is scheduled to start in spring 2014.

The new power line will eliminate a bottleneck in the main grid between Nordland and Troms, and is vital for securing a reliable supply of electricity north of Ofoten. We are already now experiencing periods with reduced grid security. The reinforcement is also necessary because of the anticipated increase in consumption and plans for greater industrial activity in northern Norway.

Statnett has applied for licences for two international interconnectors

Statnett has signed partnership agreements for the construction of international interconnectors to both Germany and the UK, and submitted an application for a foreign trade licence for both projects to the Ministry of Petroleum and Energy in May 2013. Statnett has been working on the two cable projects for several years and the projects are scheduled for completion in 2018 and 2020 respectively.

Interconnector to Germany
NordLink, owned 50-50 by Statnett and the German company TenneT and KfW, will link the Norwegian and German energy systems through a 1 400 MW subsea cable. On the German side, the parties have entered into an agreement with the regional authorities in the German federal state Schleswig-Holstein relating to a speedy implementation of the licensing process for a converter facility, cable route and subsea cable within the 12-mile boundary from the German coastline.

Interconnector to the UK
The North Sea Network (NSN) cable project will be developed and owned 50-50 by Statnett and the British company National Grid. The subsea cable will have a capacity of 1 400 MW, and will be installed between Kvilldal in the Norwegian county of Rogaland and Blyth in the UK. In 2013, the companies entered into a joint project agreement, and received a renewed facility licence from the Norwegian authorities. The cable will be the longest subsea power cable in the world.

New progress plan for Ørskog-Sogndal

The planned 420 kV power line between Ørskog and Sogndal is essential for security of supply to central Norway and for realisation of new renewable energy production in Sogn og Fjordane.

Statnett aimed to complete the Ørskog-Sogndal interconnector by the end of 2015. However, the project has been delayed as Statnett has not yet received licences for all sections of the route. Statnett has adopted a new schedule, where the Ørskog-Høyanger section will be commissioned over the course of 2015, and the Høyanger-Sogndal section will be completed in 2016.

The project will continuously facilitate realisation of renewable energy projects as the power line is being commissioned from the north and southward.

New head office

In March 2013, Statnett's head office moved from Huseby to Nydalen in Oslo. In May, Statnett assumed ownership of its new head office at 33 Nydalen Allé by exercising the purchase option negotiated in connection with the initial lease agreement with Avantor.

The main office is a new building with a floor space of 22 000 m2, housing 800 workstations. The reason for the move was a need for more space and more flexible premises as a result of increased activity. The new building is an energy class A office building.

Lyse Sentralnett

In 2013, Statnett and Lyse Sentralnett AS signed an agreement for Statnett's acquisition of a 50 percent shareholding in Lyse Sentralnett AS. The transaction was carried out on 3 February 2014. The parties have agreed that Statnett will have controlling influence in Lyse Sentralnett AS.

Lyse Sentralnett owns the main grid facilities in the Lyse area. As part of improving security of supply to the Stavanger area, Lyse Sentralnett has applied for a licence for a new 420 kV power line between Lyse and Støleheia. Statnett will be responsible for the construction of the new power line.

Statnett has an option to acquire another 25 percent of Lyse Sentralnett once a licence has been granted for Lysebotn-Støleheia and the remaining 25 percent upon completion of the line.

2013 Grid Development Plan

The Grid Development Plan (NUP) shows how Statnett will realise its plans for the next generation main grid. Statnett confirms investment plans of NOK 5-7 billion annually in new grid capacity in the next decades. The planning horizon is 20 years, and there are specific plans for construction of power lines and substations in the first decade.

Injection of equity

On 2 January 2014, Statnett received NOK 3.25 billion in equity. This was decided at an extraordinary enterprise meeting on 17 December 2013. The Fiscal State Budget for 2014 assumes that no dividend will be paid for the 2014 fiscal year, in accordance with Statnett's request. Furthermore, dividends of 25 percent will be disbursed in 2015-2017, which is half of the owner's long-term dividend policy. The equity injection contributes to securing the development of the next generation main grid.

Financial **framework conditions**

Statnett's revenues

Statnett's reported revenues consist of fixed grid tariffs from the main grid customers as well as congestion revenues. Congestion revenues arise as a result of transmission of power from low-price areas to high-price areas in the Nordic region and between Norway and the Netherlands. Grid tariffs are stipulated prior to each calendar month.

The revenues are adjusted and controlled by the authorities through the Norwegian Water Resources and Energy Directorate (NVE) and an annual permitted revenue is stipulated. The permitted revenue must cover the costs of grid developments and maintenance, and provide a fair return on grid investments. This is based on the assumption that the transmission grid is operated, utilised and developed in an efficient manner.

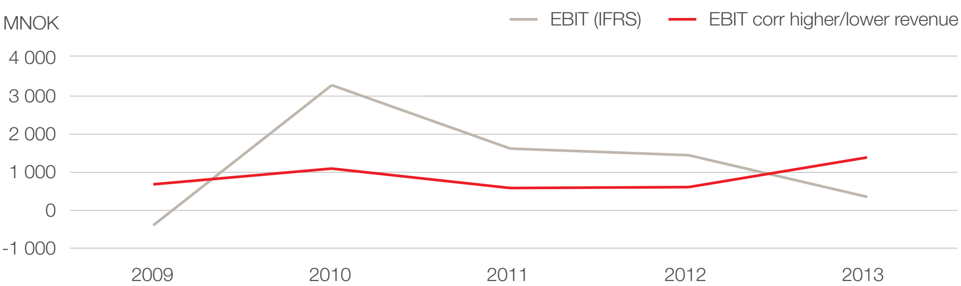
If the actual revenues diverge from the permitted revenue, higher or lower revenue will occur. In accordance with regulations from the Norwegian Water Resources and Energy Directorate, higher/lower revenue will even out over time through adjustment of future grid tariffs. Consequently, the higher/lower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

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

Revenue and result development

Since 2009, Statnett has had significant higher/lower revenue. This has resulted in major fluctuations in Statnett's recognised operating revenues and operating profit/loss. Revenues and profit or loss adjusted for higher/lower revenue show that underlying activities are much more stable than indicated by the accounting figures, including higher/lower revenue. For 2013, underlying revenues and profit or loss were significantly higher than in 2012. This is mainly due to a new model for calculating the NVE interest rate which results in increased return on grid capital, as well as an increase in facilities.

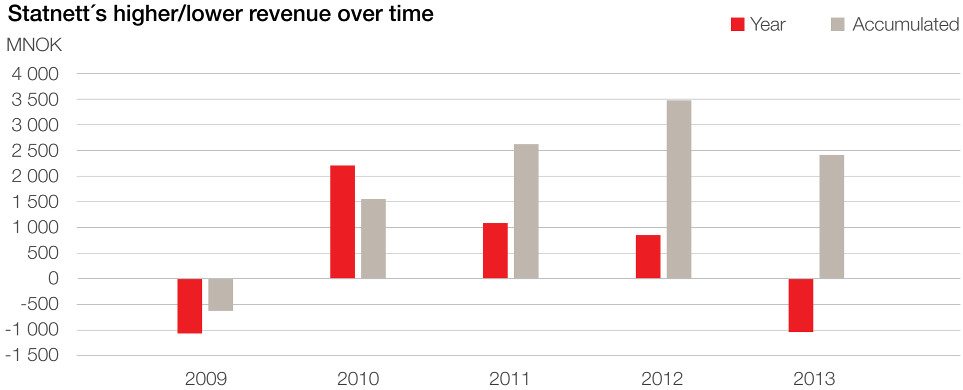
EBIT adjusted for higher/lower revenue



Higher/lower revenue development

In 2013, Statnett had a lower revenue, after several years of higher revenue. This was due to a planned reduction in accumulated higher revenue through a downward adjustment of tariffs, combined with lower than predicted congestion revenues. At the end of 2013, the accumulated higher revenue including interest was NOK 2 413 million.

Statnett´s higher/lower revenue over time



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 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 also 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. With higher congestion revenues than assumed, Statnett's higher revenue amounted to NOK 838 million in 2012. Accumulated higher revenue including interest was NOK 3 455 million at the end of 2012.

2013: Due to the high accumulated higher revenue at the end of 2012, significantly lower tariffs were stipulated in 2013. This, in addition to lower congestion revenues than assumed and a change associated with the setting of actuarial gains/losses on pensions to zero as of 1 January 2013, contributed to a lower revenue of NOK 1 042 million in 2013. At the end of 2013, the accumulated higher revenue including interest amounted to NOK 2 413 million.

Repayment of higher revenue

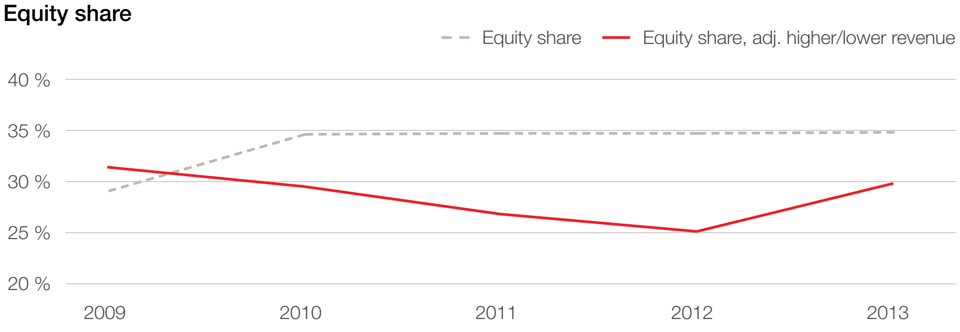
Statnett has formulated a price strategy which sets guidelines for stipulation of the annual main grid tariff. In accordance with the guidelines from the Norwegian Water Resources and Energy Directorate (NVE), Statnett emphasises consideration for stable and predictable grid tariffs over time. Consequently,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

The investment level affects revenues and the balance sheet

Completed investments are part of Statnett's basis for regulated revenues, whereas plants under construction are not included. There has been a steady increase in investments since 2009, and in 2013, investments doubled compared with the previous year. Property, plant and equipment have not increased correspondingly as major projects are being developed, and much of the increase is still recorded under 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, equity is adjusted for accumulated higher/lower revenue after tax. As investments have increased in recent years, the adjusted equity ratio has been reduced. In December 2013, it was decided to increase Statnett's equity by NOK 3 250 million, and in January 2014, Statnett received the new equity. The equity ratio, including NOK 3 250 million of new equity and adjusted for accumulated higher/lower revenue after tax, was 30 percent at the end of 2013.

Equity share



Key figures

Highlights profit & loss *(amounts in NOK million)*	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Reported figures						
Revenue	4 561	5 334	5 497	7 247	2 862	4 256
EBITDA	1 394	2 260	2 426	3 945	259	1 722
Operating profit / EBIT	346	1 433	1 628	3 279	-403	1 194
Profit before tax	89	1 162	1 357	3 058	-668	1 742
Profit after tax	82	837	1 000	2 198	-480	1 517
Adjustments (amounts in NOK million)						
Accumulated higher/lower (+/-) revenue	2 413	3 455	2 617	1 554	-633	428
Changes in accumulated higher/lower (+/-) revenue	-1 042	838	1 064	2 187	-1 061	721
Underlying figures (amounts in NOK million)						
Revenue	5 603	4 496	4 433	5 060	3 923	3 535
EBITDA	2 436	1 422	1 362	1 758	1 320	1 001
Operating profit / EBIT	1 388	595	564	1 092	658	473
Profit before tax	1 131	324	293	871	393	1 021
Profit after tax	832	234	234	623	284	998
Highlights balance sheet *(amounts in NOK million)*						
Investments	6 415	3 152	2 384	1 892	1 278	2 620
Tangible fixed assets	21 472	17 805	17 396	16 396	15 870	14 850
Net interest-bearing debt, adjusteed for fair value hedges	19 355	13 458	11 826	10 629	11 784	10 811
Equity	12 135	8 852	8 277	7 628	5 618	6 585
Equity adjusted for higher/lower revenue after tax	10 374	6 364	6 393	6 509	6 072	6 277
Total assets	34 897	25 794	23 881	22 070	19 342	20 919
Capital employed	27 017	21 807	19 739	17 836	16 640	15 541
Financial key figures						
Return on capital employed before tax, adjusted for higher/lower reveue	5.7 %	2.9 %	3.0 %	6.3 %	4.1 %	7.3 %
Return on equity after tax	0.8 %	9.8 %	12.6 %	33.2 %	-7.9 %	25.0 %
Equity share	34.8 %	34.3 %	34.7 %	34.6 %	29.0 %	31.5 %
Equity share, adjusted for higher/lower revenue	29.8 %	24.7 %	26.8 %	29.5 %	31.4 %	30.0 %
Financial key figures						
Employees, total	1 079	994	928	913	839	
Km power lines	10 100	9 839	9 839	9 808	N/A	
Km land and subsea cables	703	703	703	703	N/A	
Absence due to illness %	3.1 %	3.6 %	3.8 %	3.8 %	4.2 %	
Lost-time injuries, own employees	5	8	18	12	9	
Greenhouse gas emissions (CO_2-equivalents)	12 462	12 871	9 831	10 981	25 382	
Hours with insufficient security of supply	1 221	1 586	2 820	4 368	N/A	
Customer satisfaction (score)	70	69	71	64	59	

Corporate Social Responsibility **2013**

Statnett's corporate social responsibility reporting

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

The Norwegian government stipulates that state-owned companies shall exercise their corporate social responsibility by integrating social and environmental considerations in their daily operations.

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, CSR in Statnett will deliver performance excellence and capacity which will ensure that the enterprise meets its main objectives.

Corporate social responsibility is an integral part of Statnett's fundamental values. These values form the very core of the enterprise's management system and provide the foundation for building a positive, responsible and sound corporate culture of confidence and cooperation at all levels. Statnett's main objectives and values are described in the Corporate Management statement.

By following these guidelines, Statnett aims to provide a general and balanced overview of how Statnett exercises corporate social responsibility in the enterprise's key areas. Statnett reports annually according to GRI. The GRI table contains references to where information about the individual indicators can be found, and to what extent these have been complied with. Statnett believes that the reporting covers the requirements stipulated in the new Section 3-3c of the Accounting Act, adopted in 2013.

If not 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.

Corporate social responsibility organisation

State-owned companies should be at the forefront of corporate social responsibility (White Paper No. 10 (2008-2009)). Statnett's fundamental governing principles help meet the requirements and expectations laid down by the owner, employees, customers, suppliers and other stakeholders. All employees are responsible for familiarising themselves with Statnett's management system and complying with the relevant requirements in their daily work. See the report on corporate management for more information about Statnett's management system.

Corporate social responsibility is an integral part of Statnett's corporate management. Statnett has a function policy for corporate social responsibility. The objective of this policy is to specify the 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. Statnett has established management policies for internal ethical guidelines, as well as ethical guidelines for suppliers. Corporate social responsibility is also incorporated in the policy relating to Statnett's fundamental values.

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 paves the way for renewable energy development. In this way, Statnett contributes to value creation for customers and society in general and to the realisation of Norway's climate objectives.

In 2013, Statnett invested a total of NOK 6 415 million in grid facilities. Statnett's largest grid and substation investments are described in more detail in the Board of Directors' report and on Statnett's website.

Statnett operates on the principle that there should 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, N-0. The measurements show which areas are vulnerable and therefore which areas should be prioritised in future grid developments. The commissioning of Sima-Samnanger in December 2013 reduced N-0 operations into Bergen and the BKK area. Projects that are scheduled to be completed in the coming years will further strengthen security of supply, including in Northern, Mid-Western and Eastern Norway.

Security of supply	Unit	2013	2012	2011
Outages in Statnett's power grid[1]	Number	2	0	3
Frequency deviation[2]	Minutes	11 410	11 574	12 216
Periods of unsatisfactory security of supply (N-0)[3]	Hours	1 221	1 600	2 820

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 to implement sound preparedness measures. This involves preventing and handling extraordinary incidents. Stormy weather is particularly challenging, but incidents, technical and human error as well as vandalism are all potential factors.

Statnett will ensure that incidents are handled in the best possible manner, both in the operations and in projects. 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 increasing staff and entering into supplier contracts. As part of the emergency preparedness work, several preparedness drills were conducted at various levels of the organisation in 2013.

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.

Dialogue with stakeholders

Statnett's corporate responsibility includes external and internal dialogue with various stakeholders. These include customers, suppliers, the authorities, trade associations and unions, special interest groups, the general public and own staff.

Statnett aims to promote exchange of ideas, constructive discussions and forward-looking solutions for energy supply and social development. This is done at an early stage by involving local authorities and businesses, landowners, non-governmental organisations (NGOs) and other special interest organisations. Statnett aims to keep an open dialogue with these groups and ensures that the involvement extends beyond the government processes relating to concept choice and licences.

Statnett engages in active dialogue with the stakeholders, as part of the company's daily activities and through other 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.

To improve communication with the users of the main grid, Statnett established a new forum for markets and operation in 2013, where a representative selection of the customers participate. The main purpose of the Market and Operations Forum is to give the customers an opportunity to provide input and advice to Statnett in connection with issues relating to operation and market conditions, at a strategic level. Emphasis will be placed on issues where Statnett will make fundamental and strategic decisions. The forum has no decision-making authority, but will be able to give direct advice to Statnett's administration and Board of Directors.

Through the project work, stakeholders will be invited to engage in a real dialogue from start to finish, ensuring the best possible decision bases and solutions. Statnett applies various measures to make sure that all relevant and correct information is made available to affected interested parties. This may include contacting interested parties through the right information channels and meeting points and organising meeting places and other arenas where the parties have a chance to provide formal and informal input. Examples of instruments are regular invitations to various meetings, routines for making information available on the web or as leaflets or advertisements and through active contact with the local media. In addition, Statnett organises local open office days, where property owners and other interested parties can meet Statnett representatives who will answer questions, exchange input, share information and discuss solutions face to face.

Positive interaction with customers, suppliers and partners on issues relating to safety and the environment is important to promote safety and environmentally friendly solutions in the short-term and long-term.

Every second year, Statnett publishes its Grid Development Plan. The plan is one of Statnett's key planning documents. To pick up on needs and receive input to the plan's content, Statnett organises open meetings in various parts of the country. Meetings are held with various NGOs as well as environmental groups and special interest organisations. The objective of the meetings is to provide information about the enterprise and its plans, and to receive input.

As an employer, Statnett enjoys good collaboration with employee organisations. With approximately 1 100 employees and trade union membership of more than 70 percent, it is important to maintain a good dialogue between the parties to create a good cooperative environment. This applies to statutory discussions and negotiations, as well as to HR issues and conflicts of interest. The mutual trust that has been established between the parties over several decades is one of the main reasons why Statnett and the employee organisations, with very few exceptions, are able to find good solutions together and avoid unnecessary disputes. Furthermore, a good dialogue and relations with employee organisations and their central unions are essential for ensuring that foreign contractors comply with Norwegian wage and working conditions as well as Norwegian working hour provisions when performing work for Statnett.

Distribution of value created

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

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 2013, goods and services were purchased in connection with investment activities totalling NOK 5 867 million, compared with NOK 2 749 million in 2012. Goods and services were purchased totalling NOK 892 million to support the company's operations, compared with NOK 981 million in 2012.

Tax costs for 2013 were lower than in the preceding year as profit before tax totalled NOK 89 million in 2013, compared with NOK 1 162 million in 2012.

Proposed dividend for 2013 is zero. This was assumed by the owner when it was decided that Statnett would receive new equity of NOK 3.25 billion at the start of 2014.

Value creation distribution	Unit	2013	2012	2011
Employees - wages and social benefits[1]	NOK million	651	679	555
National and municipal taxes and fees[2]	NOK million	288	589	592
Lenders - interests	NOK million	478	430	374
Owner - dividend[3]	NOK million	0	117	117
Company - retained equity	NOK million	150	678	649

Table

1 Net wage costs excluding employer's contribution.
2 Tax charge, property tax and employer's contribution.
3 Proposed dividend 2013

Procurement

Statnett's corporate social responsibility requirements also include procurement activities. These requirements are laid down in process descriptions and procurement policy, as well as in the enterprise's contracts. Furthermore, Statnett has separate ethical guidelines for procurement both for our own organisation and our suppliers. Guidelines for suppliers include upholding of human rights.

The central procurement unit is responsible for the procurement process for all procurements with an estimate value of more than NOK 500 000. Procurements below this value and call-offs under framework agreements are made by the individual technical department. The procurement unit is responsible for training and compliance with Statnett's procurement policy.

Statnett uses Sellihca as its qualification system to ensure an efficient procurement practice, ready access to suppliers and as a first step in safeguarding the company's corporate social responsibility. Supplier audits are also conducted through Sellihca. The audits increase transparency and reduce risk. Audits are available to all employers in Sellihca and are important for Statnett's follow-up of suppliers and sub-contractors.

Statnett also conducts its own audits of the company's suppliers and sub-contractors. The audits contribute to better deliveries and improve Statnett's ability to establish requirements. The function policy for quality management and the internal auditor's instructions regulate the auditing.

In 2014, Statnett will introduce a new system for the procurement unit. This will be used for tenders and contract follow-up and will make Statnett better equipped to follow up the suppliers' obligations regarding the environment, corporate social responsibility and HSE. A separate initiative has also been implemented to strengthen Statnett's control of contractors and their subcontractors, which will ensure that Statnett's wage and working conditions are complied with.

To promote healthy competition with regard to our acquisitions, Statnett works actively to ensure that international, national and local suppliers gain a competitive position. To promote exchange of information with local businesses and industry, Statnett has organised HSE seminars for suppliers and held project presentations for local suppliers.

Reputation and visibility

An important objective of Statnett's communications strategy is to establish awareness and knowledge about the company. Statnett's upcoming major investments in the main grid in the years to come increase the need for ensuring that the general public is aware of Statnett's role in the power supply and the grid development plans. A broad general knowledge and good reputation are also essential for recruitment purposes.

Statnett's general sponsorship of the Norwegian Skating Association (NSF) and collaboration with the Norwegian Museum of Science and Technology are, combined with Statnett's general communication work, important elements of the efforts to raise awareness of the company across the country. The sponsorship of the NSF expires at the end of the 2013/2014 skating season, whereas the collaboration with the Norwegian Museum of Science and Technology, entered into at the end of 2013, has a term of two years.

Statnett wishes to make a positive contribution to local communities and supports local activities. Allocation of local funds to cultural activities and activities for children and young people takes place via the enterprise's local offices and substations throughout Norway.

Statnett conducts regular reputation surveys. Statnett's reputation is mainly affected by how the outside world perceives the company's products and services, management, environmental concerns and working conditions. Statnett is responsible for projects that have inspired intense public debate in recent years. This has challenged the company's reputation and the popular confidence in the company. Today 56 percent of all Norwegians are confident that Statnett will provide a secure supply of electricity. Statnett's targets 80 percent by 2016.

Customer satisfaction among customers directly linked to the main grid has remained relatively stable, with a score of about 70 in recent years. Good collaboration with the customers is important to ensure efficient execution of Statnett's core tasks. Statnett aims to further improve customer satisfaction.

Statnett also emphasises that the company has a very high employee satisfaction rate and is regarded as one of the best companies to work for in Norway. This is described in more detail in Employee Development.

Reputation and customer satisfaction	Unit	2013	2012	2011
Reputation - Share of the Norwegian population who have confidence in Statnett providing a secure supply of electricity[1]	Percent	56	53	47
Prompted knowledge of who is responsible for the main powergrid[2]	Percent	60	57	56
Unprompted knowledge of who is responsible for the main grid[2]	Percent	36	33	37
Customer satisfaction[3]	Score	70	69	71

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 has adopted an innovative and forward-looking approach using research and development (R&D) as a strategic policy instrument 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 initiatives will focus on the following programme areas:

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

Statnett cooperates closely with external expertise environments both in Norway and in other countries. Examples of such environments are other grid companies in the Nordic region and Europe, the supplier industry and ENTSO-E (European Network of Transmission System Operators for Electricity). Along with various European TSOs and other players, Statnett is involved in several international projects under the EU's framework programme for research and development (FP7).

Statnett also cooperates closely with educational establishments and research communities, both in Norway and internationally. Universities and university colleges are important collaboration partners for 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 43 million in 2013, NOK 6 million more than last year.

Smart Grid

The focus of the Smart Grid programme is on designing the power grid of the future. Statnett's overall objective is to develop smart system operation solutions over a five to ten year period. This is embedded in the company's strategy and action plans. Statnett focuses on projects involving development of communication solutions and applications for efficient system operations in the phases long-term planning, operational planning and operative activities relating to smart monitoring and management. The Smart Grid technology and new solutions can provide Statnett with more tools for socio-economic operation of the power system throughout the country. Statnett will assess solutions that may help improve security of supply before, during and after construction of the next generation main grid.

In the autumn of 2013, Statnett officially launched the Northern Norway Pilot Project (the pilot project). The main objective is to install, test and validate solutions developed in previous R&D projects in a realistic user environment. The pilot project activities focus on challenges faced by operators linked to the Regional Central North associated with security of supply, quality of supplies and system costs. The pilot project is a platform for testing and qualification of new solutions and applications in cooperation with players in region North. The project is a national demonstration facility linked to the Smart Grid centre.

The launch of the Pilot Project focuses on the following areas:
- Flexible consumption load (business/industry)
- Automatic power system diagnosis
- Documentation of the risk level in the power system
- Use of the Wide Area technology
- Visualisation and handling of dynamic stability and voltage stability

Solutions and applications developed with a focus on Northern Norway will be useful for Statnett in other parts of the power system.

Technology and solutions for the next generation main grid
The technology programme focuses on developing new technology and new solutions for the next generation main grid. Important areas are new technologies for pylons, substations and power lines, cable technology and efficient solutions for power lines.

In the Lean Line project Statnett is focusing on developing new solutions for pylons and power lines. The objective is to increase quality and safety whilst reducing the construction time and costs by 20 percent for 80 percent of new projects in the portfolio. In 2013, Statnett looked into finding new solutions for composite pylons, alternative pylon design, rotating concrete reels, high-temperature power lines and prefabricated foundations. Solutions for reducing the use of helicopters have also been assessed. Full-scale testing of a prefabricated foundation prototype has been conducted and a prototype concrete reel will be tested at the beginning of 2014.

Priorities
The R&D programme “Social Acceptance” consists of projects which will provide Statnett with knowledge on how the company should act to gain acceptance for its social mandate. These projects are executed through cooperation with the Centres for Environment-friendly Energy Research (FME) 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 (UiO), 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.

Through the R&D programme ”Environmental Impact” Statnett aims to increase our knowledge of power lines’ impact on biodiversity. This includes long-term research projects on birds, as well as wild and domesticated reindeer. Much of this work takes place at the Norwegian University of Life Sciences (UMB) in Ås and other universities in Norway.

Knowledge sharing

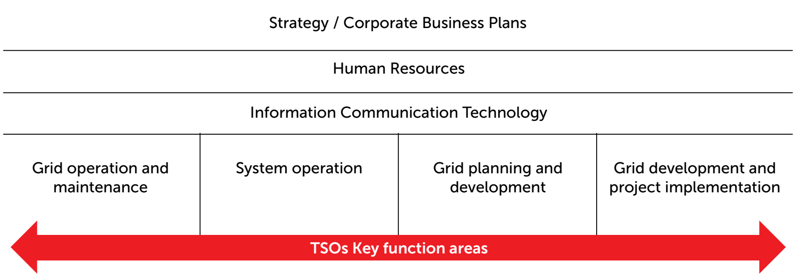
Over several years, Statnett has helped develop long-term expertise in transmission system operators (TSOs) in East and Southern Africa. Statnett currently has long-term collaboration projects with TSOs in Uganda, Tanzania, Kenya and Mozambique. Statnett has chosen to focus the company’s expertise development efforts on a geographically limited area as this has made it possible to support the establishment of a regional cooperation forum between the companies in Kenya, Tanzania and Uganda. This work started in mid-March 2014.

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.

Projects are financed by the Ministry of Foreign Affairs represented by the embassy in the cooperating countries.

In addition to Statnett’s contribution to the twinning projects, the company contributes energy expertise to technical development work performed by the Norwegian Agency for Development Cooperation (Norad). This work is regulated through the Framework agreement between Norad and Statnett, entered into in June 2012.



For Statnett it is important to support the Norwegian government’s initiative to develop the energy sector in selected partner countries. By sharing our own experience and knowledge, we contribute to securing a more stable power supply in our partner countries by, over time, building trust in the transmission system operator, which has a vital function for a well-functioning power sector. Increased electrification in our partner countries will, in the long term, help combat poverty, promote industrial development and strengthen the position of women.

Statnett contributes about ten to twelve full-time equivalents annually to twinning projects. Such projects also provide our own technical experts with exciting challenges and opportunities.

Statnett has a travel policy which contributes to assuring the safety of employees who travel to countries outside the EU/EEA area. All employees who take part in twinning projects must complete mandatory customised training.

Climate and the environment

Developing the main grid is important for achieving Norway's climate goals by preparing the grid for phase-in of renewable energy. Climate considerations represent one of Statnett's three strategic focus areas.

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

Environmental impact of Statnett's operations

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

Any environmental incidents that do occur are recorded and followed up in the Statnett deviation system. In 2013, 178 incidents occurred, compared with 67 incidents the year before. The increase in reported incidents is due to a combination of a higher activity level and increased focus on incident reporting. No serious emissions occurred (red category). Statnett engages in preventive environmental work which reduces the risk of serious incidents, from the early planning phase until the facilities are completed. There are few incidents with a major risk potential. However, several minor oil spills have been reported, usually as a result of faulty machinery. In all instances, the oil and any contaminated soil have been recovered and removed. Incidents have also occurred where particles have been released to lakes and river systems as a result of run-off from construction sites. Routines have now been established for preparation of sedimentary basins for excavation work where there is a risk of run-off to lakes and river systems. Incidents have also occurred relating to breach of internal routines. These relate to a cultural artefact which was damaged because the transportation plan was not detailed enough and terrain damage as a result of deficient contract documents. In both cases, the routines have now been updated.

Statnett is working to continuously improve the company's environmental performance. Statnett has an Environmental Management System which is certified in accordance with ISO 14001:2004. The head offices in Oslo and administrative offices in Alta, Trondheim and Sunndalsøra have been certified as "Eco-environmental Lighthouses". This means that activities conducted at these offices comply with defined requirements for environmental management and performance. The main office in Oslo and Statnett's new administration building in Trondheim are energy class A office buildings. Energy efficiency improvement and proximity to public transport were important and decisive factors in the choice of new head offices in Nydalen.

Climate

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

Emissions from Statnett's operations

Statnett's own 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.

Statnett's back-up gas-fired power plants at Nyhamna in Aukra municipality and at Tjelbergodden in Aure municipality are subject to quota obligations, but have not been granted climate quotas in the Norwegian system. Statnett reports emissions to the Norwegian Environment Agency every year, so that our emission quotas can be balanced. The Norwegian Environment Agency 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. An operative back-up power plant will emit 2 450 tonnes of CO_2 per day (0.68 tonnes/MWh). Preliminary figures show that emissions from Statnett's back-up gas-fired power plants totalled 2 190 tonnes of CO_2 equivalents in 2013. The final figures for 2013 will be available after 1 April 2014, when the reported data have been approved by the Norwegian Environment Agency.

Greenhouse gas emissions (CO_2-equivalents)	Unit	2013	2012	2011
From back-up gas-fired power plants[1]	tonnes	2 190	1 871	2 821
From SF_6 emissions[2]	tonnes	7 385	8 461	5 030
From fuel consumption and heating oil/paraffin	tonnes	1 406	1 360	1 235
From company air travel	tonnes	1 481	1 179	1 175

Table

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

2 Emission of 1 kg SF_6 corresponds to 23 900 kg CO_2 equivalents

The SF_6 gas volume increased in 2013. The volume increase in Statnett's facilities may be due to an increase in the number of facilities, but may also be caused by an improvement in the quality of facility data. At the same time, emissions of SF_6 gas from Statnett's SF_6 facilities were reduced by 13 percent in 2013 to 309 kg. This corresponds to an environmental impact of 7 385 tonnes of CO_2 equivalents in 2013.

Emission variations from year to year are normal and depend on what year the various SF_6 facilities are refilled. Emissions for 2013 totalled 0.3 percent of the total SF_6 volume, and are well below the normal leakage rate for this type of facility.

Inventory and emissions of SF_6	Unit	2013	2012	2011
Inventory as at 31 Dec.	kg	117 532	112 576	111 239
SF_6 emissions	kg	309	354	210

In 2013, air travel in Statnett totalled 10 399 079 km, corresponding to total carbon emissions of 1 481 tonnes. This is an increase from 2012, but considering the Stanett's current activity level, the figure is still relatively low.

Energy consumption and grid losses	Unit	2013	2012	2011
Electricity (excluding energy losses in transformer stations and grid)	GWh	18	18	17
Natural gas for back-up gas-fired power stations	tonnes	804	641	1 040
Fuel consumption	m^3	533	516	468
Grid losses	GWh	2 287	2 465	2 322

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

Statnett aims to be an environmentally responsible grid developer. This entails incorporating environmental concerns in the company's planning process, choice of solutions, construction and operations.

At the same time, Statnett recognises that the company's operations cause interventions in the landscape which will have an impact on biodiversity. Statnett acts responsibly by limiting the negative effects through its choice of solutions and by implementing mitigating measures. This has cost consequences.

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. The studies comprise habitats and species, focusing on endangered and vulnerable species in particular.

Landscape

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. These techniques make it possible to see what the power lines will look like in the landscape. Furthermore, construction plans can be adapted and the shape and character of the landscape can be taken into account.

The simplest and most efficient measure to ensure power lines are less visible in the landscape is the choice of route. Some sections may in addition require mitigating measures to reduce the visibility of the measure. These may include:

- Camouflage of power lines, pylons and insulators
- Development of new types of pylons
- Removal of old facilities

261 km of power lines came online in 2013, and 115 km power lines were removed .

Grid and cables[1]	Unit	2013	2012	2011
High voltage overhead section	km	10 100	9 839	9 839
Earth cable and subsea cable	km	703	703	703
Overhead lines in protected areas	km	259	259	259

Table
1 Measured in km of transmission routes and cable routes

Electromagnetic fields

In 2001, the International Agency for Research on Cancer (IARC) defined electromagnetic fields as potentially carcinogenic. In 2011, radio waves (radio frequency fields, mobile telephones) were also classified in this group.

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."

There is no significant change in the knowledge situation today.

In Norway, the level for magnetic fields near high-voltage facilities that require assessment has been set at 0.4 μT.

When constructing new high-voltage facilities or upgrading existing facilities, grid owners must assess whether magnetic fields in nearby buildings could exceed 0.4 μT. If so, alternative solutions to reduce magnetic fields must be evaluated. The same applies to the party responsible for planning and constructing new buildings near existing high-voltage power lines, mainly schools, kindergartens and residences.

Statnett follows the authorities' recommendations stipulated in the Regulations relating to protection and use of radiation (the Radiation Protection Regulations) which state that all exposure to non-ionising radiation shall be kept as low as may reasonably be achieved.

The International Commission on Non-Ionizing Radiation Protection (ICNIRP) uses limit values for magnetic fields that are well above any fields the general public may be exposed to. However, the limit values for electric fields may be exceeded under Statnett's lowest-hanging 420 kV power lines. Here the limit value is 5 kV/metres. The electrical fields may be experienced as uncomfortable, but are not considered hazardous to human health. Electric fields are normally effectively shielded by vegetation and buildings.

When planning new power lines, Statnett aims to keep them at sufficient distance from existing residential housing to ensure that the average magnetic fields from the lines do not exceed 0.4 microtesla in the buildings. This may entail that routes have an impact on valuable natural areas and recreational areas. Consequently, alternative solutions are often prepared and the final choice of route is often made by the licence authorities.

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 recent years, less research has been conducted into potential health effects and Statnett has focused its R&D work on the development of technical solutions that will reduce magnetic fields, such as development of the new low-field pylon “Compact Plus”.

Environmental R&D focus

Several of Statnett’s R&D programmes focus on challenges relating to climate and the environment. The enterprise has for several years helped fund independent research on power lines’ impact on biodiversity.

The R&D programme “Environmental Impact” focuses on increasing the awareness of how power lines affect the flora and fauna (cf. previous discussion under Innovation and R&D work).

Statnett has funded research conducted under the direction of the Centre for Environmental Design of Renewable Energy (CEDREN), a collaboration between SINTEF Energy, the Norwegian Foundation for Nature Research (NINA) and the Norwegian University of Science and Technology (NTNU). The research has focused on power lines and bird collisions as well as on power line corridors as wildlife habitats. CEDREN has also conducted a pilot project for development of GIS tools for identification of suitable power line routes. Another programme has looked into connections between the development of power line projects, communication with affected parties, media coverage and licensing rules.

The R&D project linked to the Centre for Sustainable Energy Studies (CenSES) will conduct research that will contribute to providing a better factual basis for public and private decision-makers in the interface between climate, energy and industry. This will contribute to developing Norway into a sustainable society.

Strategic Challenges in International Climate and Energy Policy (CICEP) is responsible for identifying and preparing international policy and international strategies that will promote a transition to low-carbon energy systems.

Hydrobalance looks into the possibility of increasing the use of Norwegian reservoirs to store balancing power necessary to optimise new renewable power production, as well as the effect of hydropeaking of power plants in Norwegian river system environments.

Employees

Statnett is an attractive employer and offers its employees challenging tasks. The right expertise is needed to meet the business objectives. Statnett is committed to promoting a good and close community across the organisation and ensuring a safe and secure working environment.

Health, safety and the environment

Statnett has a zero policy with regard to accidents and injuries to own personnel and others who work for the company. Statnett is paying considerable attention to risk factors related to the company’s operations. However, on 3 January a tragic accident occurred in connection with one of Statnett’s development projects. A subcontractor employee lost his life during construction work. The accident is being investigated by the police. Statnett instigated its own investigation of the accident and has implemented measures to reduce the risk associated with the use of construction equipment.

Statnett's HSE ambition is that, by the end of 2017, the company, including external suppliers, will be the leading TSO in Europe.

To reach this objective, measures have been implemented with regard to:
- Safety culture and management requirements
- Risk assessments and execution of hazardous operations
- Capacity and expertise in work teams and project teams
- Supplier requirements and close follow-up

Statnett sets the same HSE requirements for suppliers as for its own employees. The enterprise has a good HSE management system comprising an HSE policy, procedures, reporting and measures.

Every year, Statnett organises safety courses for all employees who will carry out work on electrical installations. In addition, we conduct HSE training in accordance with regulations. All Statnett's employees must complete basic HSE training, practical first aid training and electrical safety training. Statnett holds regular emergency situation and preparedness drills at various levels of the organisation.

HSE is a regular item on the agenda in all management meetings and Statnett engages in increasingly frequent dialogues on HSE and risk-reducing measures. The status of the HSE work and any incidents are reported to the management and Board of Directors on a regular basis.

Statnett reports undesirable HSE incidents and deviations occurring in its own organisation, as well as in contractor/supplier organisations. Five internal lost-time injuries were reported in 2013, whereas suppliers/contractors reported 34 lost-time injuries. Reporting of undesirable HSE incidents and nonconformities increased in 2013, which is a continuation of the trends from previous years. The reporting is an important source for improving and reducing the risk of incidents and accidents.

Statnett conducts annual organisation surveys and we have received very positive feedback from our employees regarding safety at work, job satisfaction and motivation.

Absence due to illness was 3.1 percent, down from 3.6 percent compared with 2012. Statnett is making focused efforts to reduce absence due to illness. Various measures have been implemented, such as adaptation of individual workplaces and health-promoting measures including safety inspections and physical therapy. 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 offered by the health scheme.

Absence due to illness	Unit	2013	2012	2011
Totalt	Percent	3.1	3.6	3.8
Kort-tid, 1 - 16 dager	Percent	1.4	1.7	1.6
Langtid (> 16 dager)	Percent	1.7	2.0	2.2
Kvinner	Percent	4.6	5.7	6.5
Menn	Percent	2.7	3.0	3.0

Lost-time injuries[1]	Unit	2013	2012	2011
Lost-time injuries, own employees	Number	5	8	11
Injury frequency (H1 vlaue)[2], own employees	Frequency	2.5	4.4	6.4
Lost-time injuries, contractors	Antall	34	18	12

Injuries[3]	Unit	2013	2012	2011
Injuries, own employees	Number	16	17	18
Injury frequency (H2 value)[4], own employees	Frequency	8.1	8.3	10.3

Fatalities	Unit	2013	2012	2011
Fatalities, own employees	Number	0	0	0
Fatalities, contractors	Number	1	0	1
Fatalities, third parties[5]	Number	0	0	0

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
3. Total work-related injuries
4. Number of injuries per million hours worked
5. Registered fatalities among third-parties, occurred on or in connection with Statnett's facilities.

Employee development

Statnett is planning major development projects in the years ahead. In order to realise these projects, the company will need sufficient expertise. To cover these needs, investments are made 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 expertise development process (SKUP) is well established in the enterprise. The process contributes 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 2013, Statnett's career development model gained a strong foothold. This will ensure an even stronger focus on individual development for Statnett's employees in the years ahead.

For the second year running, an organisation survey has been conducted by Ennova. The survey provides information about employee satisfaction, job satisfaction, motivation and commitment. The employees have an opportunity to express what they think about Statnett as an employer and workplace. Statnett follows up the organisation survey by implementing improvement measures based on results for the individual manager and unit as well as measures that will help improve cooperation across the organisation.

Overall, the results from the 2013 survey were good and generally above the industry benchmark, and in some cases significantly above the benchmark for Norway. Compared with 2012, progress has been made in important areas such as job satisfaction, loyalty, Group management, reputation, immediate supervisor and cooperation in own unit.

Internal mobility and recruitment

Statnett invests broadly in the development and dissemination of expertise across the entire company. In 2013, 53 employees changed jobs internally in Statnett, compared with 57 in 2012. The SKUP process helps increase internal mobility. The enterprise has a long-term goal of directing more full-time equivalents towards strategically important project execution or operation tasks.

Statnett recruited 143 new employees in 2013, compared with 132 in 2012. In 2013, Statnett had an overall staff turnover, excluding retirement, of 3.7 percent, compared with 3.3 percent in 2012. 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 2013, ten trainees participated in Statnett's 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. Two Statnett trainees participated in an exchange programme with Svenska Kraftnät and Energinet.dk, and Statnett has had two trainees from these companies working at the head office in Oslo. 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 has highly qualified applicants for its trainee programme and in November 2013, Statnett had filled all trainee posts for the 2014 programme.

Statnett has maintained a strong focus on apprentices throughout the year, particularly within electrical power engineering. Furthermore, Statnett was authorised as an ICT training establishment in 2013. This may be extended to include other disciplines, in line with the intentions of political authorities and employee and employer organisations. 2013 has also been used to gain experience from the recruitment of practice candidates.

Employer attractiveness among graduates, Universum ranking[1]	Unit	2013	2012	2011
Graduates, technical education	Rank	32	32	39
Professionals, technical education	Rank	25	31	34
Graduates, finance/economics education	Rank	83	95	76
Professionals, finance/economics education	Rank	94	74	62
Graduates ICT education	Rank	-	-	-
Professionals, ICT education	Rank	41	25	37

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).

Gender equality and diversity

Statnett wants a diverse and varied organisation. All Statnett's job advertisements encourage people to apply for a position, regardless of ethnicity, gender or age. In 2013, 9.1 percent of new recruits were from non-Norwegian ethnical backgrounds. At the end of 2013, Statnett had approximately 60 employees from non-Norwegian ethnical backgrounds.

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. After a minor decline in 2012, the percentage of women was 26.1 at year-end 2013. The total percentage of women has increased from 24.1 percent in 2012, to 25.0 percent in 2013. Statnett will continue the work to achieve a more even gender balance. Stanett wishes to promote the participation of women in the boardroom across the Statnett Group, and take a positive view of female employees being elected to the boards of other companies. In 2013, the percentage of women in the Group management was 14 percent. The percentage of women among representatives elected by the owners on the Board of Directors was 50 percent.

In Statnett, women and men in comparable positions receive equal pay. 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.

Employees	Unit	2013	2012	2011
Total number of employees	Number	1 079	994	928
Full-time equivalents	Number	1 069	981	911
Position, percentage of full-time position, men	Percent	99.7	99.4	98.8
Position, percentage of full-time position, women	Percent	97.1	96.5	96.0
Temporary employees	Number	63	71	43
Trainees	Number	9	8	10
Apprentices	Number	22	27	23

Ethics Ombudsperson

Statnett has appointed its own Ethics Ombudsperson 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 his or her 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. The Ombudsperson handled 15-20 cases in 2013, about the same number as last year. The Ombudsperson also handled a number of minor matters.

Other GRI indicators

Age profile[1]	Unit	2013	2012	2011
Employees < 30 years old	Number	107	96	75
Employees 30 - 39 years old	Number	211	182	170
Employees 40 - 49 years old	Number	336	336	311
Employees 50 - 59 years old	Number	305	261	249
Employees > 60 years old	Number	121	120	124
Average age	Years	45.6	45.8	46.4
Average retirement age	Years	67.3	65.5	65.1
Average seniority	Years	9.5	10.1	11.1

Table
1 Exclusive Statnett Transport AS

Education[1]	Unit	2013	2012	2011
Civil engineers	Number	326	296	261
Engineers	Number	207	196	179
Technical education/certificate of apprenticeship	Number	256	237	226
Master of Science and Economics/Economist	Number	85	78	74
Other university/university college degree	Number	121	104	92
Commercial	Number	37	36	38
Other	Number	48	48	59

Table
1 Exclusive Statnett Transport AS

GRI

Statnett's CSR reporting is 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 2013 has been integrated in Statnett's 2013 annual report. Statnett believes that in all material respects the 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 2013 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 - 2013 annual report
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 2013
Organisation		
2.1	Name of the organisation	Statnett SF
2.2	Primary brands, products and / or services	Highlights Board of directors' report 2013 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 2013: 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 2013: Employees and organisation CSR: Employees
2.9	Significant changes regarding size, structure or ownership	Board of directors' report 2013: Employees and organisation CSR: Employees
2.10	Awards received	CSR: Employee development
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 and the enviroment: Biodiversity and disruptions to the landscape
EU5	Allocation of CO_2 emissions allowances or equivalent	CSR: Climate ande the enviroment: Climate

GRI code	Title	Reference to Statnett - 2013 annual report
Reporting parameters		
3.1	Reporting period	2013
3.2	Date of most recent previous report	Annual report 2012
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
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
Governance, commitments and engagement		
4.1	Governance structure of the organisation	Corporate governance
4.2	Whether the Chair of the Board also is an executive officer	Corporate governance
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
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
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 2013 annual report

GRI code	Title	Reference to Statnett - 2013 annual report
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
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
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: Employees: Health, safety and the environment

GRI code	Title	Reference to Statnett - 2013 annual report
Employee follow-up		
EU14	Programmes and processes to ensure availability of a skilled workforce	CSR: Employees: Employee development
EU15	Percentage of employees eligible to retire in the next 5 to 10 years	CSR: Employees: Age profile
EU16	Policies and requirements regarding health and safety training	CSR: Employees: Health, safety and the environment
LA1	Workforce	CSR: Employees: Employees
LA2	Turnover	CSR: Employees: Internal mobility and recruitment
EU18	Percentage of contractor/subcontractor employees that have undergone relevant health and safety training	CSR: Employees: Health, safety and the environment
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: Employees: Health, safety and the environment
LA11 *	Skills management and lifelong learning	CSR: Employees: Employee development CSR: Employees: Internal mobility and recruitment
LA12 *	Percentage of employees with performance and career development reviews	CSR: Employees: Employee development
LA13	Composition of governance bodies and breakdown of employees per category	CSR: Employees: Gender equality and diversity
LA14	Ratio of basic salary of men to women	CSR: 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 c ollective 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

GRI code	Title	Reference to Statnett - 2013 annual report
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: Employees: Health, safety and the environment
PR5 *	Customer satisfaction	CSR: Statnett and society: Reputation 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 **management**

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. Statnett adheres to the Norwegian State's principles for sound corporate governance, and has also decided to report compliance with the Norwegian Code of Practice for Corporate Governance (www.nues.no). Deviations from the Code of Practice are explained. The sections of the Code that are not relevant for Statnett, as a result of company structure or other factors, are not commented upon.

The Accounting Act's guidelines for corporate management reporting are complied with by the reporting in relation to requirements in Section 3-3b, Items 4, 7 and 8 below.

1. Statement on 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 wholly responsible for its obligations.

Good corporate management is a precondition for stable value creation over time and helps Statnett meet the requirements and expectations laid down by our owner, employees, customers, suppliers, lenders and others stakeholders.

The Board of Directors ensures that Statnett's has a sound corporate management by adopting a framework for corporate management and by clarifying the enterprise's value base, ethical gui-

Figure
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.

delines and principles for management and control. Along with the instructions to the Board of Directors and instructions to the President and CEO, this framework constitutes the key governing documentation in Statnett. The Board of Directors is informed of and provides input on how Statnett exercises its corporate social responsibility, whereas the enterprise's corporate social responsibility policy is adopted by the President and CEO. Thus, Statnett deviates slightly from the guidelines.

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

2. Business

Statnett has a purpose in the government's sector policy and the enterprise's activities are clearly described in the articles of association.

Section 2 of Statnett's articles of association stipulates that "Statnett SF is the Transmission System Operator in the Norwegian power system." As Transmission 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 Transmission 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 with others, plan and engineer, build, own and operate transmission facilities. Statnett SF will discharge the responsibilities assigned to the company pursuant to applicable laws, regulations and licences. In other respects, Statnett SF will adhere to commercial principles." Statnett's articles of association are available on our website.

Statnett has established the company's tasks, values and primary 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

Statnett's main objectives

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

• *Value creation*
Statnett's services shall create value for customers and for Norwegian society in general.

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

The following five priority areas are important to realise Statnett's objectives:
• Ensure safe and efficient operations
• Build a robust and environmentally-adapted main grid
• Trading and cooperation with Europe
• Develop the next generation Statnett
• Acceptance and understanding for Statnett's social mission

Within each priority area, special focus areas have been established as well as measures that are followed up through the enterprise's objective-oriented management process. To realise the objective of constructing a robust and environmentally-adapted main grid, Statnett has a significant investment portfolio. Effect goals are established for each project which tie in with the enterprise's objectives. Performance goals are also established which will ensure that the projects are managed according to appropriate objectives for completion date, costs, quality and HSE.

3. Equity and dividends

At an extraordinary general meeting on 17 December 2013, it was decided to grant Statnett NOK 3.25 billion in equity. As a result, Statnett's equity is appropriately aligned with the company's current activities and risk profile.

The Group's dividend policy is stipulated in the government budget. In Proposition to the White Paper No. 1 (2011-2012), the Norwegian government has established a long-term dividend policy of 50 percent of the defined dividend basis. In connection with Statnett's request for new equity

Statnett requested that no dividends should be paid for the 2013 fiscal year, and amended its dividends policy from a dividends percentage of 50 percent to 25 percent for the fiscal years 2014, 2015 and 2016. In the National Budget for 2014 this request was met. The basis for the dividend is defined as the Group's net annual profit after tax, adjusted for changes in the balance for higher/lower revenue for the year after tax.

The decision to increase capital can only be made by the Enterprise General Meeting.

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 legislation.

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.

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 distribution 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 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.

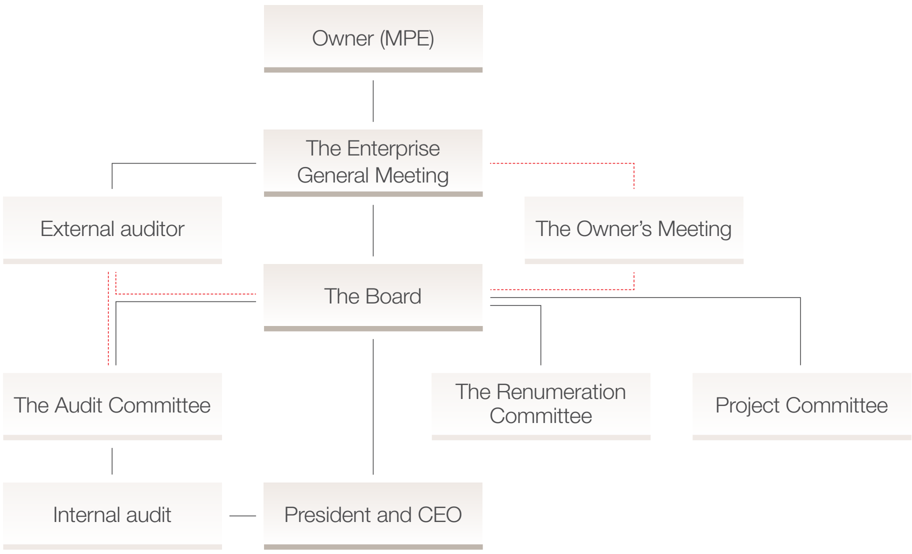


Figure
Overview of Statnett's management structure at the end of 2013. The formal reporting lines are shown as solid lines.

7. Election committee

Statnett has no election committee. The Ministry of Petroleum and Energy (MPE) designates 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 among 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 maximum two years, but will remain in office until a new member has been elected even though his/her term of office has expired.

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

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.

The Board of Directors had an attendance record of 97.8 percent in 2013. The table below shows the attendance of each board member at board meetings and subcommittees.

	Board Meeting (10 meetings)	The Audit Committee (8 meetings)	Project Committee (8 meetings)	Remuneration Committee (2 meetings)
Kolbjørn Almlid	10			
Per Hjorth	10	8		
Maria Sandsmark	10	7		
Egil Gjesteland	10		8	
Kirsten Indgjerd Værdal	9			2
Synne Homble (appointed June 2013)	5			
Kjerstin Bakke	9			
Steinar Jøranstad	10	8		
Per Erland Opgård	10		8	2
Heidi Ekrem (resigned June 2013)	5			2

9. The work of the Board of Directors

The Board of Directors has the 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 adopts the instructions to the President and CEO and Statnett's strategy and ensures 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 the 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 communication 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.

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 8 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 which will function as a preparatory body for the Board of Directors relating to follow-up of Statnett's development projects based on a defined mandate. In particular, the project committee shall ensure sound corporate 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.

The Board conducts an annual evaluation of its work and competence in order to ensure effective quality control of its work.

10. Risk management and internal control

Statnett works systematically to review any risks associated with our activities and the Board of Directors receives a risk report every quarter. All development projects approved by the Board of Directors are reported to the Board and include an updated risk profile for the individual project. See the separate section on risk in the annual report for a more detailed description of Statnett's risk management framework.

Combined with the enterprise's organisation, management forums and reporting lines, Statnett's ethical guidelines and value base make up the foundation for a good internal control environment. Internal control is an integral part of corporate governance and is based on the principle of three lines of defence (manager, policies manager/staff and internal auditor). Monthly management reporting is part of the follow-up. This includes HSE results and finance. 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

A separate policy has been developed for accounting and financial reporting. An overview has been established of control activities conducted to ensure correct financial reporting, and risk assessments are performed of the most important processes when necessary. 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 acting 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 complied with 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 annual accounts for a detailed overview of Board remunerations.

Board member remunerations are not associated with profit or loss, option programmes or similar.

Directors or companies with which they are affiliated, have not taken on specific tasks for the company in addition to their board appointment.

There have been no remuneration in addition to ordinary board fees.

12. Remuneration of executive employees

Statnett follows the guidelines that apply for executive pay in state enterprises. In accordance with Section 8 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 Note 14 in the annual accounts 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 website.

In Statnett's ethical guidelines the Board sets the policies for information flow to stakeholders in the energy market. The CEO and President sets guidelines for communication of financial information in the functionpolicy for communication.

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 2013 was Ernst & Young AS. 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 attends 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.

Risk

Risk management

Framework

Statnett practises unified risk management which reflects that the enterprise is responsible for critical infrastructure in a vulnerable society, and that the enterprise is in a phase with a significant project volume as well as increase in facilities. A secure supply of electric power forms the basis for a stable supply of electricity to the end-users, value creation and realisation of climate-friendly solutions. Statnett's risk management covers the entire scope of the enterprise, including strategic, commercial, operational and financial aspects. Statnett's risk management is an integrated part of the company's activities, coordinated across the organisation by means of a common methodical foundation and framework.

There is a strong focus on risks with a potential impact on HSE, supply of electrical power, finances, reputation and compliance, and consequences at the enterprise level will take priority. Statnett's tolerance for risks with a potential impact on HSE and supply of electrical power is low. Important activities for managing risk in connection with supply of electrical power include:

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

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, with the addition of two annual updated overviews of the short-term risk profile. All development projects approved by the Board of Directors are reported to the Board and include an updated risk profile for the individual project. Statnett's activities are subject to comprehensive authority regulations from several regulatory bodies. Statnett's compliance with these regulations helps ensure low risk in connection with supply of electrical power.

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

Below follows a description of selected risks of an operational and financial nature.

Operational risk

HSE risk. Statnett's work relating to development, operations and maintenance involves work where there is a risk of serious personal injury. Examples include helicopter accidents, falling from heights, injury in connection with handling construction machinery, electrocution, traffic accidents, diving accidents and shipwreck. Measures to reduce the risk and prevent serious incidents have already been implemented and the improvement work has been further intensified. Statnett's ambition is that, by the end of 2017, the company and its external suppliers will be the leading TSO in Europe. The HSE risk is reduced by focusing on sound, documented work processes, use of risk analyses during planning and implementation, close collaboration with suppliers, reporting of incidents and near misses in a learning perspective and considerable management follow-up. An extensive HSE network across the Group is an important contributor to uniform work methods and efficient learning and development.

Risk of power supply interruptions. 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 grid structure, level of consumption as well as the extent of any grid outages due to faults, maintenance and modifications. 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. Preliminary estimated outage costs for connected end-users (under the KILE scheme) amounted to NOK 163 million in 2013, compared with NOK 31 million in 2012.

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 types of measures are applied for managing the risk of faults in grid facilities. For example, completed new investments may reduce the risk of N-0-operation. However, the risk may increase during the construction period, as existing facilities need to be disconnected. Reinvestments 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.

Project and portfolio risk. Statnett is implementing several major projects, and is planning to launch a number of new projects. This entails project risk which may impact HSE, security of supply, financial aspects, reputation and compliance. The projects have many common risk factors in addition to the project-specific factors. Common risk factors in the project portfolio include HSE risks, disconnection needs in the existing grid, capacity and cost development relating to certain expertise groups and suppliers, awarding of licences and authority permits as well as insufficient quality in deliveries. Risk is managed by taking into account risk in the project development and implementation by using defined work processes, assessments and follow-up of suppliers, adapted implementation models and management follow-up.

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, abide budgets and are cost-efficient.

Risks relating to systems and operations. The frequency quality in the Nordic region, measured as the number of minutes outside the 49.9 - 50.1 Hz frequency band, is not as good as we would like. Frequency deviations are indicators 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. Together with the other TSOs, Statnett has established a market for automatic reserves, Frequency Restoration Reserves (FRR, known as secondary reserves) which will reduce frequency deviations. The FRR market is in the introduction phase with limited volumes, and has consequently had limited effect on the frequency quality so far.

Energy access. Risk relating to energy access for the system as a whole is currently considered to be normal based on a normal energy situation, combined with the fact that Swedish nuclear power is expected to produce for high utilisation. 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.

Loss of critical ICT services. The control centres and associated communication systems are critical ICT services. Loss of such services can make it challenging to handle system operations, for instance in the event of faults in grid facilities or major changes in generation and consumption. Historically, Statnett has had high uptime for this type of services. Risk analyses have shown that the probability of the various services being down for extended periods is relatively low. At the same time, further risk-reducing measures are under implementation.

Should a loss of services still occur, preparedness measures are in place involving increased staffing of control centres and substations, as well as implementation of many manual system operation routines.

Risk of misconduct. Misconduct exists when employees, employee representatives or business connections violate the trust that has been placed in them to achieve an unjustified advantage on behalf of themselves or the enterprise. The risk of misconduct is followed up through risk identification and reporting in the line organisation. Key measures to reduce the risk are Statnett's value base and code of conduct, structured processes including in connection with acquisitions and continuous management follow-up and internal control.

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 execution of financial transactions. Internal control procedures have been established which are carried out independently.

Financial risk. Statnett has access to several credit markets and has a diversified maturity structure for its borrowings. 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 6.5 billion with a duration until January 2018 to be able to fund at least 12 months' revolving operations 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 (Norwegian Water Resources and Energy Directorate-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.

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 relating 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 trading on the regulating power market.

Foreign exchange 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.

Board of Director's report

Statnett has the overall responsibility for ensuring a stable and secure supply of electricity in Norway and for facilitating a well-functioning power market. 2013 has been a year with stable operations, and the power situation in Norway has been good throughout the year.

To maintain and improve security of supply, facilitate value creation and reduce emissions of greenhouse gases, Statnett is well underway with the construction of the next generation main grid. Statnett invested NOK 6.4 billion in 2013, which is twice as much as in 2012. This reflects a historically high level of activity, which is projected to continue in the years to come. The increased investment levels also include significant reinvestments in existing plants and facilities.

The Sima-Samnanger and Varangerbotn-Skogfoss power-lines, which are important for security of supply to the Bergen area and East Finnmark, were completed in 2013. Several major projects are under construction and will be commissioned during the period 2014-2016, including a new subsea cable to Denmark, Skagerrak 4, and the Ørskog-Sogndal power line, which is important for security of supply in central Norway. In the near future, final investment decisions are scheduled for several major projects, and in 2014, Statnett is expected to enter into contracts which will commit the enterprise to significant investments in the period leading up to 2020.

Statnett's development plans are described in the 2013 Grid Development Plan. The plan is consistent with the Norwegian government's Grid Report (White Paper No. 14 (2011-2012)) and includes annual investments of NOK 5-7 billion in new network capacity. The mission imposes substantial demands on Statnett's organisation and on the interaction with stakeholders. This requires effective licensing processes, a strengthening of Statnett's own implementation strategy as well as increased use of the supplier industry. The plan may also be affected by, among other, reassignment of priorities in the portfolio, new licensing terms and cost developments in the supplier market.

In addition, structural changes are anticipated in the Nordic and North European energy system, which will set new requirements for the future Norwegian main grid to maintain robustness and ensure flexibility in the energy supply. This assumes that Statnett, as Transmission System Operator (TSO), acquires the entire main grid, which corresponds to an increase in Statnett's facilities of approximately 15 percent.

To facilitate new renewable energy, mainly small-scale hydropower and wind power, as well as an anticipated Nordic power surplus, and to ensure security of supply in dry years, it is necessary to increase the power exchange capacity with power systems outside the Nordic region. After having reached an agreement, with key parties in Germany and the UK in 2012 for the construction of international interconnectors, Statnett submitted an application for a foreign trade licence to the Ministry of Petroleum and Energy (MPE) in the second quarter of 2013. The interconnector to Germany is scheduled for completion in 2018 and the UK interconnector in 2020. These projects are important for the development of the Northern European power grid and are a high priority for all parties involved.

All Statnett's investments should be socio-economically rational. However, the future investments in the main grid will result in increased grid tariffs and will thus represent higher costs for the users. To the extent possible, Statnett seeks to balance investment initiatives necessitated by the need to ensure security of supply with a cost-efficient development plan.

Statnett maintains a focus on Health, Safety and the Environment (HSE) directed at both regular operations and the growing construction activities. Several measures were introduced in 2013 and Statnett is working systematically to facilitate Statnett's achievement of the company's HSE ambition which involves that, by the end of 2017, the company and its external suppliers will be the leading TSO in Europe. On 3 January 2013, a tragic accident occurred on one of Statnett's development projects, in which a subcontractor employee lost his life during installation work.

The increased activity affects the risk situation for Statnett. Statnett practises unified risk management, and extensive improvements and measures have been implemented to meet this challenge.

Statnett is certified according to the quality standard PAS 55 (Publicly Available Specification 55). PAS 55 sets requirements related to the 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. PAS 55 assumes continuous asset management improvement and underpins Statnett's focus on cost-efficient operations during a strong growth phase.

Statnett is among the most cost-efficient TSOs in Europe according to a comparison study conducted by the Norwegian Water Resources and Energy Directorate (NVE), which compared costefficiency in about 20 European TSOs.

Statnett's financial execution ability was strengthened by the injection of new equity in 2013. Statnett's solvency and financial execution ability was strengthened by the injection of new equity of NOK 3.25 billion in January 2014. Furthermore, it is decided that no dividend will be paid for 2013 and the dividend policy has been amended from 50 percent to 25 percent for the years 2014 to 2016.

Security of supply

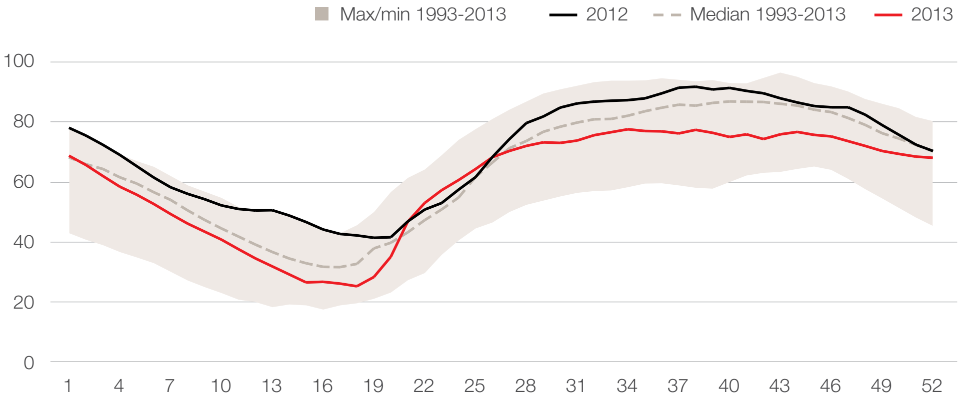
At the beginning of 2013, there was a shortfall in the hydrological balance of approx. 3 TWh. Low precipitation and high consumption impaired the hydrological balance in the first months of the year. The largest shortfall in the hydrological balance was registered in the first week of April, 20 TWh below normal. Heavy precipitation in the second quarter strengthened the balance, and a fourth quarter with heavy precipitation and unseasonably high temperatures resulted in a surplus at year-end of 3 TWh compared with normal.

At the beginning of 2013, reservoir water levels were 69 percent, on par with the median level for the 1993-2013 measuring period. Throughout the year, reservoir water levels were somewhat below normal in some periods. However, mild weather and heavy precipitation towards the end of the year resulted in reservoir water levels of 68 percent, two percentage points below the median.

At the beginning of April, the power situation in Western Norway (NO5 and the northwestern part of NO2) and central Norway (NO3) was changed from normal to pressed. A pressed power situation means that the flexibility in the power system, to handle low water inflow or long-term faults in transmission and production facilities, is limited. This situation continued until mid-May when the status was changed back to normal.

Following the cold and dry start of the year, temperatures and the amount of precipitation increased to above normal. In 2013, the average temperature for Norway as a whole was 1.0 °C above normal, and precipitation was 110 percent of normal levels in 2013.

Reservoir levels Norway



Converted into energy, precipitation equalled 129 TWh in 2013, 1 TWh less than normal (based on the 1981-2010 period). The overall energy production in 2013 was 133 TWh and total power consumption 128 TWh. The corresponding figures for 2012 were 148 TWh and 130 respectively. Net exports were 5 TWh in 2013, compared with 18 TWh in 2012.

New production and consumption records were set in January due to cold weather:
- A new production record of 26 075 MW was set on Wednesday 16 January in the 17th hour.
- A new consumption record of 24 180 MW was set on Wednesday 23 January in the 9th hour.

From February, all Nordic countries are members of the secondary reserves market (FRR). The market was operational until the end of May when the project entered an evaluation period. The market was relaunched in September. Norway's share has been 35 MW (100 MW in the Nordic region) with the exception of certain higher quantity trial periods, with up to 135 MW (350 MW in the Nordic region).

As a result of the commissioning of the new 420kV power line between Sima and Samnanger in December, the spot market boundary between NO5 and NO1 was moved.

The 420 kV interconnector between Rød and Hasle has 2 new sets of cables, which has increased the capacity between NO2 and NO1.

There were several operational interruptions in 2013 that affected operations for shorter or longer periods

- A storm on 2 March resulted in several power line breakdowns in central Norway. The power line between Viklandet and Fræna was out of operation until 5 March, which meant that consumption on Ormen Lange had to be reduced by 50 MW, compared with a normal consumption of approximately 170 MW. Short-term consumption outages also occurred at Hydro Aluminium in Sunndalsøra and at Hustadmarmor on 2 March.
- Two major operational interruptions caused a complete blackout in Lofoten, Vesterålen and the Harstad area on two separate occasions on 13 and 14 March. The first incident resulted in a disconnection of 170 MW of consumption and lasted for several hours, whereas the second incident caused a loss of up to 300 MW of consumption, lasting for about one hour.

- On 18 April, a transformer breakdown in Ørskog caused power supply outages from Kjelbotn (Ålesund) to Grov (Førde). About 180 000 people were without electricity for 90 minutes.
- Major lightning storms between 22 July and 1 August resulted in many outages. Øst-Finnmark County was hardest hit, where Vardø and Vadsø were without electricity for several hours on 29 July.
- The NorNed cable was out of operation from 28 October to 18 December due to a storm in the Netherlands. The storm also hit Denmark and Germany and resulted in interruption of wind power and power line outages. The imbalances were to a large degree transferred to the Nordic region and regulated in Norway.
- The Rana-Svartisen and Kobbelv-Ofoten power lines were down on 3 December due to wind and snow. This resulted in a separate area in Salten with a short-term frequency above 52 Hz. The Kobbelv-Ofoten power line was soon back in service, but the Rana-Svartisen power line was out of operation for six hours.

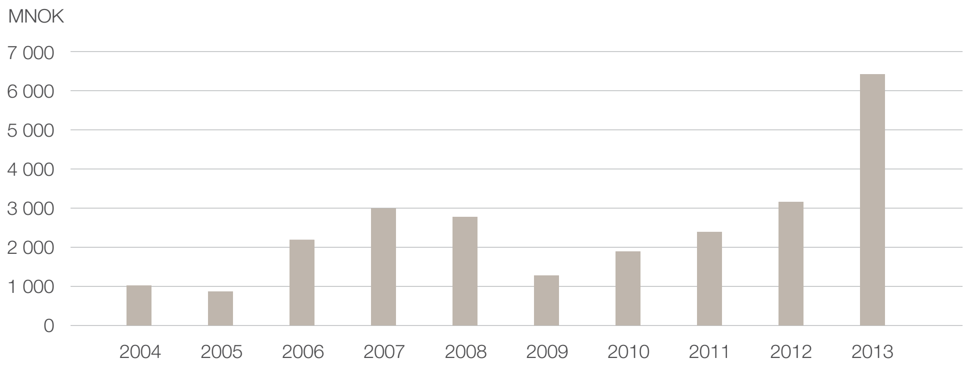
Investments

Statnett has major development projects under planning and implementation. The plans are presented in Statnett's 2013 Grid Development Plan.

Statnett invested NOK 6 415 million in 2013, including both commissioned and ongoing investment projects. This is an increase from NOK 3 152 million in 2012.

Commissioned projects totalled NOK 4 545 million in 2013 compared with NOK 1 339 million in 2012.

Development investments



At year-end 2013, the value of plants under construction was NOK 6 020 million, a net increase of NOK 1 743 million in 2013. This was mainly related to the power lines Ørskog-Sogndal and the Skagerrak 4 interconnector to Denmark.

The most important projects are listed in the table below. 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		
Sima - Samnanger, new 420 kV power line	Hordaland	920
Varangerbotn - Skogfoss, new 132 kV power line	Finnmark	540
Substation investments		575
In the execution phase		
Ørskog - Sogndal, new 420 kV power line	Møre og Romsdal/Sogn og Fjordane	4 600 - 5 600
Ofoten - Balsfjord, new 420 kV power line	Nordland/Troms	3 000 - 4 000
Substation investments (transformer capacity Eastern Norway, reactors for voltage reduction, back-up transformers, Feda, Frogner etc.)		1 600 - 2 000
Skagerrak 4	Norge/Danmark	1 400 - 1 700 1)
Eastern Corridor, voltage upgrade and new power line	Vest-Agder/Telemark	1 300 - 1 600
Ytre Oslofjord	Vestfold/Østfold	1 200 - 1 400
Licences pending or appealed		
Western Corridor, voltage upgrade	Vest-Agder/Rogaland	6 000 - 9 000
Namsos - Trollheim, new 420 kV power line	Trøndelag/Møre og Romsdal	5 400 - 7 700
Balsfjord - Hammerfest, new 420 kV power line	Troms/Finnmark	5 000 - 8 000
Substation investments (Hamang, Salten, Western Norway etc.)		1 500 - 2 200
Indre Oslofjord, reinvestment, interconnectors	Akershus/Buskerud	1 150 - 1 650
Klæbu - Namsos, voltage upgrade	Trøndelag	700 - 1 000
International interconnectors		
Cable to the UK		6 000 - 8 000 1)
Cable to Germany		6 000 - 8 000 1)
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) Statnetts share

The amounts in the table show the anticipated range including all project costs.
Projects under construction are shown in current NOK, other projects in 2013 NOK.

Important project events in 2013

Major investment projects - completed

- *Sima - Samnanger:* A new 420 kV power line was put into operation on 9 December 2013.
- *Varangerbotn - Skogfoss:* A new 132 kV power line has entered service and modifications of high voltage installations in the Varangerbotn and Skogfoss substations have been implemented.
- *Substation investments:* Major substation investment projects have been completed relating to transformation, distribution and compensation totalling NOK 575 million.

Ongoing major investment projects

- *Ørskog - Sogndal:* Overall, the project is on schedule for final commissioning in 2016.
- *Ofoten - Balsfjord:* In August 2013, Statnett received a licence from the Ministry of Petroleum and Energy (MPE). Work on access to the route is ongoing. Queries to suppliers have been issued and are being considered.
- *Skagerrak 4:* The project is proceeding as scheduled with handover expected in December 2014.
- *Eastern Corridor:* The project is proceeding as scheduled with final commissioning expected in the autumn of 2014.
- *Ytre Oslofjord:* The facility came online in November 2013 with 6 of 9 new cables in operation. The last 3 oil cables will be installed in 2014.

Øvrige prosjekter under utvikling

- *Western Corridor:* The work to upgrade the voltage between Kristiansand and Feda has started and is scheduled to be completed in 2014. In December 2013, the Norwegian Water Resources and Energy Directorate (NVE) granted Statnett a licence for voltage upgrades of the facilities on the Solhom - Arendal and Feda - Tonstad sections. Licences for several other sections are being considered by the Norwegian Water Resources and Energy Directorate (NVE).
- *Namsos - Trollheim:* In August 2013, Statnett received a facility licence from the Ministry of Petroleum and Energy (MPE). Statnett will facilitate construction of the wind farms by reinforcing the grid as necessary as soon as the wind farm players have made an investment decision.
- *Balsfjord – Hammerfest:* An updated needs and profitability analysis has been implemented and an investment decision in principle is scheduled for 2014. A licence for the project is still being considered by the Ministry of Petroleum and Energy (MPE).
- *Klæbu - Namsos:* The project is proceeding according to schedule and a final investment decision is expected in the summer of 2014.
- *The interconnector to Germany:* Application for overseas license was submitted MPE in May 2013. In December 2013, the Norwegian Water Resources and Energy Directorate (NVE) submitted its final assessment of the impact on the power system, environment, natural resources and society from the planned cable between Norway and Germany. The assessment will form the basis for the MPE's consideration of the licence application. An agreement has also been entered into with the German authorities in Schleswig-Holstein relating to a progress plan for the licensing process for a converter facility, subterranean cable and a cable to the 12-mile boundary on the German side.
- *The UK interconnector:* Application for overseas license was submitted MPE in May 2013. In December 2013, Statnett was granted a facility licence for a cable interconnector to the UK. The planned international interconnector has a capacity of 1 400 MW and will be installed between Kvilldal in Suldal Municipality and Blyth in the UK.

Research, development and expertise building

Research and development (R&D) in Statnett is a strategic tool to promote value creation, innovation and green solutions. In 2013, Statnett invested NOK 43 million in R&D, NOK 6 million more than in 2012. Three strategic R&D programmes have been initiated, linked to Statnett's Group strategy. The 3 programmes run from 2012 to 2014 and are:

- *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 enable building 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 socio-economic mandate, secure a stable supply of electricity 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 environments both in Norway and abroad. Furthermore, Statnett is committed to developing an R&D strategy through ENTSO-E, which will give the company 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 detailed information about Statnett's R&D work.

Financial performance

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.

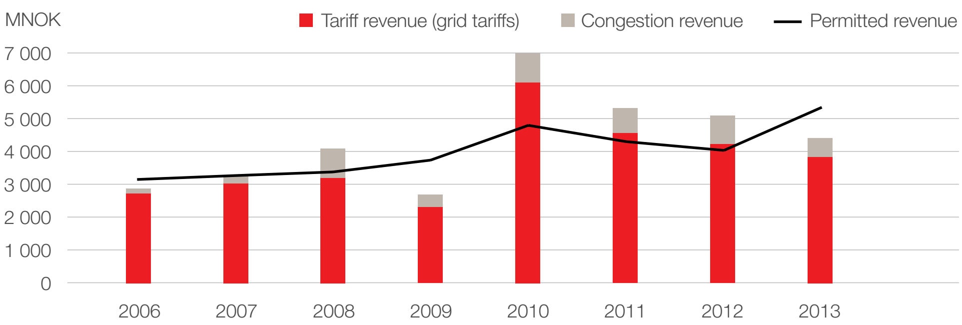
Operating revenues

Statnett's operating revenues in 2013 totalled NOK 4 561 million (NOK 5 334 million in 2012). The reduction in operating revenues in 2013 was due to lower tariff revenues due to planned downward adjustment of tariffs for 2013 as well as lower congestion revenues (price differences between areas in the Nordic region and towards the Netherlands).

Statnett's operating revenues mainly derive from grid operations regulated by the NVE, which stipulates a cap (permitted revenue) for Statnett's revenues. Permitted revenue increased from NOK 4 025 million in 2012 to NOK. Operating revenues in Statnett's financial reporting consist primarily of fixed grid tariffs from the customers as well as congestion revenues.

5 361 million in 2013, mainly due to increased permitted return on grid capital, and an increase in facilities. 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 2013, Statnett had a lower revenue of NOK 958 million (higher revenue of NOK 1 065 million), excluding interest. At the end of 2013, accumulated higher revenue, including interest, totalled NOK 2 413 million.

Operating revenue



Operating costs

The Group's operating costs totalled NOK 4 215 million in 2013 (NOK 3 901 million).

System services costs amounted to NOK 569 million in 2013, up NOK 64 million compared with 2012. The increase was mainly due to the launch of the secondary reserves market.

For 2013, transmission losses amounted to NOK 698 million, up NOK 107 million compared with 2012. The increase was due to higher prices, somewhat offset by a lower loss volume.

Wage costs for 2013 totalled NOK 779 million, down NOK 23 million from 2012. The reduction was due to increased capitalisation of own hours and lower pension costs following a change in actuarial assumptions relating to the discount rate. This was somewhat offset by an increase in wage costs as a result of higher construction, operation and maintenance activity.

Depreciation and write-downs totalled NOK 1 048 million in 2013, up NOK 221 million compared with 2012. This was due to an increase in the number of facilities as well as depreciation and write-downs relating to Statnett's former head office and the South-West Link.

Other operating costs totalled NOK 1 121 in 2013, down NOK 55 million from 2012. The change was due to lower project development costs in relation to international interconnectors in 2013.

Net profit

The Group's operating profit for 2013 amounted to NOK 346 million (NOK 1 433 million).

Revenues from associates totalled NOK 10 million in 2013 (NOK 9 million).

The Group's net financial items for 2013 amounted to a loss of NOK 267 million (loss of NOK 280 million). Higher construction loan interest was recognised in the balance sheet due to an increase in project activities in 2013. This was somewhat offset by higher interest costs in 2013 as a result of an increase in loans.

Profit for the year after tax in 2013 was NOK 82 million (NOK 837 million). Profit after tax for 2013, corrected for non-recognised higher/lower revenue and estimated interest costs, was NOK 832 million (NOK 234 million). The higher adjusted profit was mainly due to an increase in permitted return on grid capital, and an increase in the number of facilities.

The corrected result corresponds to the dividend basis.

Cash flow and balance sheet

The Group's operating activities generated an accumulated cash flow of NOK 1 304 million in 2013. The net cash flow from investment activities totalled NOK -6 197 million. In total, loans were paid down by NOK 2 883 million, and new loans of NOK 8 195 million were raised. At year-end 2013, the Group's liquid assets and market-based securities amounted to NOK 1 610 million (NOK 1 302 million).

At the end of 2013, the Group had total assets of NOK 34 897 million (NOK 25 794 million). Interest-bearing debt amounted to NOK 19 909 million. The market value of recognised interest swap and currency swap agreements (fair value hedges) related to interest-bearing debt was NOK 554 million. Interest-bearing debt, corrected for this, totalled NOK 19 355 million.

At an Enterprise General Meeting on 17 December, it was decided to increase Statnett's equity by NOK 3 250 million. At year-end 2013, the Group's equity, including new equity, totalled NOK 12 135 million (NOK 8 852 million). The company's distributable equity was NOK 5 839 million at year-end (NOK 5 876 million). Corrected for net higher/lower revenue, the equity ratio was 30 percent.

The Board of Directors and management consider the enterprise's equity and liquidity to be prudent.

Subsidiaries and associated companies

Statnett SF is required to provide heavy transport preparedness for the Norwegian power supply. Statnett's wholly owned subsidiary Statnett Transport AS is required to ensure efficient and competitive implementation of this duty. In 2013, operating revenues for Statnett Transport amounted to NOK 147 million (NOK 137 million) and the profit before tax was NOK 22 million (NOK 18 million).

At the end of 2013, Statnett SF had an ownership interest of 28.8 percent in Nord Pool Spot AS. In the third quarter of 2013, the Latvian Transmission System Operator Augstsprieguma exercised the option stipulated in the letter of intent to purchase two percent of the shares. This reduced Statnett's ownership interest to 28.2 percent, and generated revenues of NOK 3 million. Statnett's share of the profit in Nord Pool ASA contributed NOK 10 million (NOK 9 million) to the Statnett Group's profit in 2013.

In May, Statnett assumed ownership of its new head office at 33 Nydalen Allé by exercising the purchase option negotiated in connection with the initial lease agreement with Avantor AS. This entailed that Statnett SF purchased 100 percent of the shares in Nydalshøyden bygg C AS, which owned the building. In December 2013, the building was resold to Statnett SF.

At the end of 2013, the Nordic transmission system operators Fingrid OY, Svenska Kraftnät and Statnett SF established the company eSett OY. Statnett has an ownership interest of 33.3 percent in the company. The company will develop systems for balance settlement and from the second half of 2015 provide balance settlement services for market players in Finland, Sweden and. The company will be based in Helsinki.

Risk management and internal control

Statnett practises unified risk management which reflects that the enterprise manages critical infrastructure in a vulnerable society, and that the enterprise is in a growth phase with a significant project volume. A secure supply of electric power forms the basis for a stable supply of electricity to the end-users, value creation and realisation of climate-friendly solutions. Statnett's risk management covers the entire scope of the enterprise, including strategic, commercial, operational and financial aspects. Statnett's risk management and internal control is an integral part of the company's activities, coordinated across the organisation by means of a common methodology and framework. Statnett's tolerance for risks with a potential impact on HSE and supply of electrical power is low. Please see the separate section of the annual report for more detailed information about the framework for Statnett's risk management and specific risks.

Employees and organisation

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

Employees

Statnett has an ambitious mission and must ensure that the right expertise is in place for the right jobs. At the turn of the year, Statnett SF had 1 079 employees, compared with 994 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.

Statnett has a low staff turnover. However, many of our employees will reach retirement age 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 both a trainee programme and an apprentice programme in electrical power engineering and ICT. A career development model has also been introduced which focuses on individual development of Statnett's personnel. Furthermore, Statnett has a senior policy to retain valuable employees and expertise until retirement age. The average retirement age in Statnett was above 67 in 2013.

Statnett conducts yearly organisation surveys. This gives Statnett benchmarking opportunities against other players in the energy industry, and employees have an opportunity to express what they think about Statnett as an employer and workplace. The overall results for 2013 were good and above average for the industry. Some results were significantly better than for other participating companies in Norway.

Gender equality and diversity

Statnett has a zero tolerance policy regarding discrimination and harassment. The enterprise follows this up with local safety delegates, appraisal interviews and opinion polls. It is important to Statnett to ensure a diverse organisation in terms of gender, ethnicity and age. 9.1 percent of employees recruited in 2013 came from non-Norwegian backgrounds, up from 5.3 percent in 2012. The total percentage of women has increased from 24 percent in 2012, to 25 percent in 2013. The percentage of female employees in the energy sector in general is approx. 20 percent. At the end of 2013, four of the nine members of Statnett's Board of Directors and one of the seven members of the Group management were women. As of January 2014, two of seven members of the Group management are women. Women filled 26 percent of all managerial positions in the Group and three of Statnett's ten trainees in 2013 were female. Statnett has an ambition 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. See also Notes 4 and 14 for more information about wage costs and remuneration to the Group management.

Health, safety and the working environment

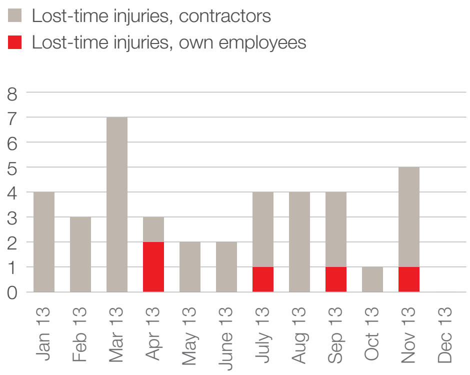
Statnett has a zero policy with regard to accidents, injuries and unnecessary environmental impact. The effort to prevent serious incidents was strengthened in 2013 and will be further intensified. Statnett's ambition is that, by the end of 2017, the company and its external suppliers will be the leading TSO in Europe. To succeed, we need to further increase our focus on safety and quality of deliveries from external technological environments and suppliers. Statnett reports lost-time injuries and hours worked both in its own organisation as well as for contractors in development projects. This is done by estimating the total OIFR value and LTIFR for the enterprise's activities.

Statnett registers HSE incidents and deviations occurring in its own organisation, as well as in contractor/supplier organisations. Reporting of HSE incidents and nonconformities increased in 2013. This is a result of increased project activities combined with improved reporting routines in recent years. Statnett focuses on risk factors and how to mitigate them, both during the project planning and during physical work operations.

On 3 January 2013, a tragic accident occurred in connection with one of Statnett's development projects. A subcontractor employee lost his life during installation work. The accident is being investigated by the police. Statnett instigated its own investigation of the accident and has implemented measures to reduce the risk associated with the use of construction equipment.

Five internal lost-time injuries were reported in 2013, whereas our suppliers/contractors reported 34 lost-time injuries. In 2013, the OIFR value for Statnett's own employees was 2.5, down from

Lost-time injuries



Occupational Illness Frequency Rate (OIFR)

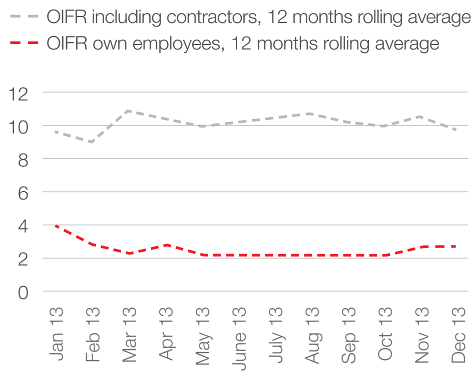
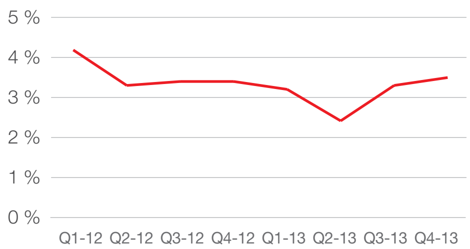


Figure
OIFR = number of lost-time injuries per million hours worked

Absence due to illness



Lost time injury frequency rates (LTIFR)

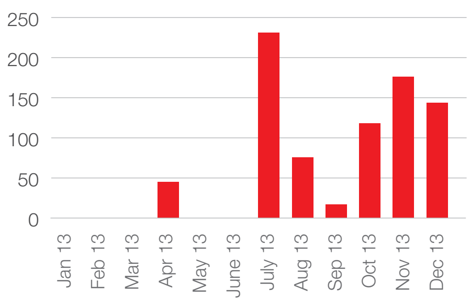


Figure
LTIFR = number of days away from work due to injuries per million hours worked

4.4 in 2012. The OIFR value including supplier/contractor companies was 9.8 in 2013. The LTIFR for Statnett's own employees was 62.2 in 2013 compared with 63.4 in 2012. The LTIFR value including supplier/contractor companies was 214 in 2013.

Statnett also reports on H2 (number of injuries per million hours worked). The H2 value for Statnett's own employees was 8.1 in 2013 compared with 8.3 in 2013.

There has been a reduction in the Group's overall absence due to illness in recent years. In 2013, the overall absence due to illness was 3.1 percent, compared with 3.6 percent in 2012. Even though absence due to illness is lower than in the energy industry in general, Statnett is focusing on analysing the reasons for the absence due to illness and on identifying measures that can reduce absence due to illness further. This involves adaptation of individual workplaces and various health-promoting and illness-reducing measures, including use of safety inspections and physical therapy treatment.

Corporate social responsibility

Corporate social responsibility (CSR) is incorporated in Statnett's fundamental values, which Is a central part of the enterprise's management system. Statnett focuses on understanding the expectations of the community, and on 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. CSR in Statnett entails integration of social and environmental considerations in the company's daily operations and and in relations with stakeholders. CSR is integrated in the enterprise's governance and embedded in management and organization.

Statnett reports annually on CSR in accordance with the globally recognised reporting framework, Global Reporting Initiative (GRI). Statnett's GRI reporting complies with the new requirements relating to CSR reporting stipulated in the Norwegian Accounting Act. The new requirements are applicable as of 2013. Please see the description of CSR in Statnett's annual report for more information about corporate social responsibility.

Climate and the environment

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.

Any environmental incidents that do occur are recorded and followed up in the Statnett deviation system. In 2013, 178 incidents occurred, compared with 67 incidents in the previous year. Statnett has a strong focus on preventive environmental work, from the early planning phase until the facility is completed, which reduces the risk of serious incidents. However, with a high activity level, incidents cannot be entirely prevented, but incidents with a high risk potential are very few.

The most important sources of greenhouse gas emissions from Statnett's activities are leaks from the SF_6 facilities, emissions from mobile reserve power plants and transportation. In addition, emissions occur in connection with construction activities. Emissions have increased in recent years, both as a result of increased activity, operation of the back-up power plants and increased use of SF_6.

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 administration building in Trondheim, the new head office in Oslo is an energy class A office building.

For a more detailed account of climate and the environment, please see the statement under Corporate Social Responsibility in the annual report.

Corporate governance

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

Statnett's corporate management principles clarify the distribution of roles between the owner, the Board of Directors and the group 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 enterprise organisation. A separate description of corporate management in the annual report gives an account of Statnett's compliance with the NUES principles.

Changes in the Board of Directors

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. On 24 June, Synne Homble was elected to the Board of Statnett SF. She replaced Heidi Ekrem.

Changes in the Group management

The Statnett Group is reorganising to be better prepared for the great tasks ahead. As of January 2014, two new Executive Vice Presidents have been appointed, Elisabeth Vike and Bente Monica Haaland. Executive Vice President Bente Hagem will head the enterprise's work relating to European affairs and has left the management group. Executive Vice President Gunnar Løvås has left Statnett.

Outlook

Statnett's 2013 Grid Development Plan forms the basis for the next generation main grid. 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, including comprehensive planning of disconnections. Large scope of the bypassed plants during the construction will involve a controlled weakening of security of supply in periods. Statnett has also strengthened operative preparedness to improve its ability to handle unforeseen and critical incidents.

Statnett has several important projects under construction. There is currently particular focus on progress in the Ørskog-Sogndal and Ofoten-Balsfjord projects, which are important power lines to secure supply to central Norway and northern-Norway, respectively. In South and Southwestern Norway, work has started with upgrade the wiring from the current 300 kV to 420 kV in the Western corridor, between Kristiansand and Sauda and the Eastern corridor, between Kristiansand and Rød, in order to improve security of supply and to increase capacity of the grid. There is also strong focus on completing the cable projects Ytre Oslofjord and Skagerrak 4 to Denmark.

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 high priority for all parties involved. The new cables 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.

In 2013, Statnett received a licence for a power line between Namsos and Trollheim, which will facilitate development of wind power. The development is scheduled to take place in stages and Statnett has started the planning phase in collaboration with the wind power developers. Realisation of the Namsos-Trollheim power line is contingent on the wind power developers making an investment decision for their planned wind power projects.

To be able to implement the planned development projects according to schedule, Statnett is dependent on an effective 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, the number of Statnett facilities 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. To succeed, we need to further increase our focus on safety and quality of deliveries from external technological environments and suppliers.

The Ministry of Petroleum and Energy (MPE) has sent proposals for amendments to the Energy Act for consultation as a result of the third EU energy market package. The proposal entails substantial growth in the tasks assigned to Statnett if Statnett must assume ownership and/or operational responsibility for the remaining Norwegian main grid. The Ministry of Petroleum and Energy (MPE) expects a potential implementation to take place in the next few years. This will increase Statnett facilities by approximately 15 percent and lead to an increased need for investments and staff beyond existing plans.

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 power system differs from the European system, it is essential that the framework conditions are formulated to safeguard Norwegian security of supply and ensure value creation from Norwegian hydropower. The Nordic TSOs cooperate on many key issues at a European level, such as the establishment of eSett OY and the price coupling of the spot markets in North West Europe.

During the period leading up to 2020, major investments will be made in the main grid, and all customer groups must contribute towards the financing. Statnett's work is based on a socio-economic model which must weigh concerns relating to tariff consequences for various customer groups against the need for investments in the main grid. In 2013, the Norwegian Water Resources and Energy Directorate (NVE) conducted a comparison study, together with about 20 other European regulators, which compared cost efficiency among the respective TSOs. The comparison study concluded that Statnett is one of the most cost-efficient TSOs in Europe. It is important for Statnett to maintain this position throughout the company's current strong growth phase. Consequently, Statnett aims to increase efficiency by 15 percent by the end of 2016.

In accordance with Section 3-3a of the Norwegian Accounting Act, the Board 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

Based on the increased need for investments and borrowings, a proposal was put forward in Proposition to the White Paper No. 1 (2013-2014), the Norwegian National Budget, to contribute NOK 3 250 million to Statnett's equity. Dividend for the fiscal years 2014 - 2016 was set at 25 percent of the dividend basis. Dividend for the 2013 fiscal year is set at zero. 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 therefore recommends that the annual profit from Statnett SF be allocated as follows:

Dividend	0
To other equity	NOK 80 million
Total allocated	NOK 80 million

Declaration from the Board of Directors and President and CEO

We confirm that the financial statements for the period 1 January to 31 December 2013 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 27 March 2014
The Board of Directors, Statnett SF

Kolbjørn Almlid
Chairman of the Board

Per Hjorth
Deputy Chairman

Maria Sandsmark

Egil Gjesteland

Kirsten Indgjerd Værdal

Pål Erland Opgård

Steinar Jørandstad

Synne Larsen Homble

Kjerstin Bakke

Auke Lont
President and CEO

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 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 a 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 Elektrisitetsverk, ENFO and Mid-Gas. He was elected Chairman of the Board in Statnett in June 2011.

Per Hjorth

Deputy Chairman

Elected in 2008, Deputy Chairman from 2012

Hjorth is the Managing Director of Newsec AS, a commercial real estate brokerage and consultancy firm. Hjort also serves on a number of boards. He 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 Business School 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 and political sciences. She is a researcher for Møreforskning Molde AS where she is responsible for 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.

Synne Homble
Board member
Elected in 2013

Synne Homble is Chief Officer at Cermaq ASA where she is responsible for legal affairs, communication, HR, corporate responsibility and sustainability reporting. Homble joined Cermaq in 2006 and has held various management positions. From 1998-2006, she was employed as attorney at law in the Norwegian law firm Wikborg Rein. Homble has her law degree from the University of Oslo with specialist subjects from Hamline School of Law, USA.

Kirsten Indgjerd Værdal
Board member
Elected in 2009

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

Kjerstin Bakke

Board member, employee representative

Elected in 2010

Kjerstin Bakke is Head of Operations and responsible for substation operations in Southern Norway. In addition, she is Managing Director of Lyse Sentralnett AS, a subsidiary of the Statnett Group since 3 February 2014. Bakke has been employed by Statnett since 1994 and has held a number of executive posts. 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

Steinar Jøråndstad is an Energy Technician with Statnett and is the 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, where he has been a board member since 1999.

Statement of comprehensive income

Parent company 2012*	Parent company 2013	(Amounts in NOK million)	Note	Group 2013	Group 2012*
		Operating revenue			
5 090	4 403	Operating revenue regulated operations	2	4 403	5 090
208	167	Other operating revenue	2	158	244
5 298	**4 570**	**Total operating revenues**		**4 561**	**5 334**
		Operating costs			
505	569	System services	3	569	505
591	698	Transmission losses	3	698	591
795	771	Salaries and personnel costs	4,5,14	779	802
814	1 017	Depreciation and write-downs of tangible fixed assets	6,7	1 048	827
1 145	1 196	Other operating costs	18	1 121	1 176
3 850	**4 251**	**Total operating costs**		**4 215**	**3 901**
1 448	**319**	**Operating profit**		**346**	**1 433**
-	-	Income from associate	12,13	10	9
105	109	Financial income	8	126	95
376	414	Financial costs	8	393	375
1 177	**14**	**Profit before tax**		**89**	**1 162**
328	2	Tax	11	7	325
849	**12**	**Profit for the year**		**82**	**837**
		Other comprehensive income			
-	1	Changes in fair value, held-for-sale investments		1	-
-58	33	Changes in fair value for cash flow hedges		33	-58
16	-10	Tax effect	11	-10	16
-42	*24*	*Other comprehensive income to be reclassified to profit or loss in subsequent periods*		*24*	*-42*
627	60	Changes in estimate deviations of pension liabilities	5	60	627
-175	-16	Tax effect	5,11	-16	-175
452	*44*	*Other comprehensive income not to be reclassified to profit or loss in subsequent periods*		*44*	*452*
410	**68**	**Total other comprehensive income**		**68**	**410**
1 259	**80**	**Total comprehensive income**		**150**	**1 247**

* Due to implementation of amendments in IAS 19 Employee Benefits and a change in the basis for calculating pension liabilities and costs, the accounting figures for 2012 have been restated. Cf. the presentation of equity changes and Note 5 Pensions and pension liabilities.

Balance sheet

Parent company					Group		
01.01.2012*	31.12.2012*	31.12.2013	*(Amounts in NOK million)*	Note	31.12.2013	31.12.2012*	01.01.2012*
			ASSETS				
			Intangible fixed assets				
-	-	-	Goodwill		53	53	53
18	72	157	Other intangible fixed assets	6	170	85	31
18	**72**	**157**	**Total intangible fixed assets**		**223**	**138**	**84**
			Fixed assets				
17 134	17 549	21 176	Tangible fixed assets	6	21 472	17 805	17 378
2 437	4 277	6 020	Plants under construction	7	6 020	4 277	2 437
267	272	788	Investment in subsidiaries	12	-	-	-
36	36	53	Investment in associates	12	81	54	54
1 390	1 417	1 301	Financial fixed assets	9,10	1 161	1 242	1 188
21 264	**23 551**	**29 338**	**Total fixed assets**		**28 734**	**23 378**	**21 057**
			Current assets				
1 186	1 064	1 109	Trade accounts and other short-term receivables	9,10,13	1 080	976	1 138
-	-	3 250	Claim upon decided, non-registered contributed capital	20	3 250	-	-
272	327	311	Market-based securities	9,10	640	668	600
917	561	873	Liquid assets	9	970	634	1 002
2 375	**1 952**	**5 543**	**Total current assets**		**5 940**	**2 278**	**2 740**
23 657	**25 575**	**35 038**	**Total assets**		**34 897**	**25 794**	**23 881**
			EQUITY AND LIABILITIES				
			Equity				
2 700	2 700	2 700	Contributed capital		2 700	2 700	2 700
-	-	3 250	Decided, non-registered contributed capital	20	3 250	-	-
4 734	5 876	5 839	Other equity accrued		6 185	6 152	5 022
7 434	**8 576**	**11 789**	**Total equity**		**12 135**	**8 852**	**7 722**
			Long-term liabilities				
127	402	420	Deferred tax	11	557	465	190
1 123	550	485	Pension liabilities	5	486	551	1 124
66	74	255	Other liabilities		255	75	66
11 110	12 623	17 441	Long-term interest-bearing debt	9,10,16	17 441	12 484	10 974
12 426	**13 649**	**18 601**	**Total long-term liabilities**		**18 739**	**13 575**	**12 354**
			Current liabilities				
2 302	1 906	3 160	Short-term interest-bearing debt	9,10	2 468	1 906	2 302
1 224	1 234	1 488	Trade accounts payable and other short-term debt	9,10	1 555	1 251	1 232
271	210	-	Tax payable	11		210	271
3 797	**3 350**	**4 648**	**Total current liabilities**		**4 023**	**3 367**	**3 805**
23 657	**25 575**	**35 038**	**Total equity and liabilities**		**34 897**	**25 794**	**23 881**

* Due to implementation of amendments in IAS 19 Employee Benefits and a change in the basis for calculating pension liabilities and costs, the accounting figures for 2012 have been restated. Cf. the presentation of equity changes and Note 5 Pensions and pension liabilities.

Oslo, 27 March 2014, The Board of Directors, Statnett SF

Kolbjørn Almlid
Chairman of the Board

Per Hjorth
Deputy Chairman

Maria Sandsmark
Board member

Egil Gjesteland
Board member

Synne Larsen Homble
Board member

Kirsten Indgjerd Værdal
Board member

Pål Erland Opgård
Board member, employee representative

Steinar Jørandstad
Board member, employee representative

Kjerstin Bakke
Board member, employee representative

Auke Lont
President and CEO

Statement of changes in equity

Parent company: Contributed capital	Parent company: Decided, non-registered contributed capital	Parent company: Other items	Parent company: Other equity accrued	Parent company: Total equity	*(Amounts in NOK million)*	Group: Total equity	Group: Other equity accrued	Group: Other items	Group: Decided, non-registered contributed capital	Group: Contributed capital
2 700	**-**	**-40**	**5 329**	**7 989**	**Equity as at 31.12.2012, in accordance with annual report 2011**	**8 277**	**5 616**	**-39**	**-**	**2 700**
-	-	-	-555	-555	Implementation effect of IAS 19R	-555	-555	-	-	-
2 700	**-**	**-40**	**4 774**	**7 434**	**01.01.2012**	**7 722**	**5 061**	**-39**	**-**	**2 700**
-	-	-	849	849	Profit/loss for the year	837	837	-	-	-
-	-	-42	452	410	Other comprehensive income	410	452	-42	-	-
-	-	-	-117	-117	Dividends declared	-117	-117	-	-	-
2 700	**-**	**-82**	**5 958**	**8 576**	**31.12.2012**	**8 852**	**6 233**	**-81**	**-**	**2 700**
2 700	**-**	**-82**	**6 061**	**8 679**	**Equity as at 31.12.2012, in accordance with annual report 2012**	**8 955**	**6 336**	**-81**	**-**	**2 700**
-	-	-	-103	-103	Implementation effect of IAS 19R	-103	-103	-	-	-
2 700	**-**	**-82**	**5 958**	**8 576**	**01.01.2013**	**8 852**	**6 233**	**-81**	**-**	**2 700**
-	-	-	12	12	Profit/loss for the year	82	82	-	-	-
-	-	24	44	68	Other comprehensive income	68	44	24	-	-
-	-	-	-117	-117	Dividends declared	-117	-117	-	-	-
-	3 250	-	-	3 250	Decided, non-registered contributed capital	3 250	-	-	3 250	-
2 700	**3 250**	**-58**	**5 897**	**11 789**	**31.12.2013**	**12 135**	**6 242**	**-57**	**3 250**	**2 700**

Cash flow statement

Parent company 2012	Parent company 2013	(Amounts in NOK million)	Note	Group 2013	Group 2012
		Cash flow from operating activities			
1 177	14	Profit before tax		89	1 162
3	-3	Loss/gain(-) on sale of fixed assets	6	-3	3
814	1 017	Ordinary depreciation and write-downs	6,7	1 048	827
-271	-210	Paid taxes	11	-210	-271
279	276	Interest recognised in the income statement	8	268	273
34	38	Interest received	8	45	43
-329	-257	Interest paid, excl. construction interest	8	-257	-329
47	175	Changes in trade accounts receivable/payable	9	144	65
-366	158	Changes in other accruals	9	190	-338
-	-	Result from companies using equity method	12	-10	-9
1 388	**1 208**	**Net cash flow from operating activities**		**1 304**	**1 426**
		Cash flow from investing activities			
52	13	Proceeds from sale of tangible fixed assets	6	14	52
-3 027	-5 515	Purchase of tangible fixed assets, other intangible fixed assets and plants under construction	6,7	-5 546	-3 049
-103	-158	Construction interest paid	8	-158	-103
-	-491	Purchase of subsidiary	12	-491	-
-	28	Changes in investment in subsidiaries, associates and joint ventures	12	-20	-
15	15	Changes in short term loan receivables	9	-	-
35	4	Dividend received	8,12	4	15
-3 028	**-6 104**	**Net cash flow from investing activities**		**-6 197**	**-3 085**
		Cash flow from financing activities			
5 903	8 195	Proceeds from new interest-bearing borrowings	9	8 195	5 903
-4 439	-2 882	Repayment of interest-bearing debt	9	-2 883	-4 439
112	129	Proceeds from sale of market-based securities	9	310	220
-169	-117	Purchase of market-based securities	9	-276	-276
-123	-117	Dividend paid and group contributions		-117	-117
1 284	**5 208**	**Net cash-flow from financing activities**		**5 229**	**1 291**
-356	**312**	**Net cash flow for the period**		**336**	**-368**
917	561	Cash and cash equivalents at the start of the period	9	634	1 002
561	873	Cash and cash equivalents at the close of the period	9	970	634

Restricted bank deposits amounting to NOK 103 million for the parent company and NOK 104 million for the Group are included in cash and cash equivalents as at 31 December 2013.

Unused credit facilities of NOK 3 500 million as at 31 December 2013 are not included in cash and cash equivalents.

Payment of construction interest is included in cash flow from investing activities, and is presented on a seperate line from this quarter onwards. The comparative figures have been adjusted accordingly.

Notes

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. The head office is located at Nydalen allé 33, 0423 Oslo.

Basis for preparation of the financial 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 adopted by the EU.

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

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

- 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.

Comparative figures in the balance sheet and statement of comprehensive income

As a result of Statnett's implementation of amendments in IAS 19 Employee Benefits, a third balance sheet statement is presented at the beginning of the year 2012. The balance sheet and statement of comprehensive income for 2012 have been restated.

New accounting standards

Below follows a list of new/revised/additional standards and interpretations that had come into effect as at 31 December 2013 for the fiscal year 1 January - 31 December 2013. Only matters assumed to be relevant for Statnett, have been included.

IAS 1 – Amendment: Presentation of items of Other Comprehensive Income

The amendment to IAS 1 requires companies to group together items under "Other Comprehensive Income (OCI), based on whether the items in subsequent periods can be reclassified to profit or loss.

IFRS 13 - Fair Value Measurement

IFRS 13 consolidates and clarifies the guidance on how to measure fair value. A number of standards require or allow companies to measure or provide additional information about the fair value of assets, liabilities or equity instruments. Prior to the introduction of IFRS 13, there was limited guidance on fair value measurement and in some cases inconsistencies in the guidance.

Important accounting estimates and assumptions

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 virtually 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
Other intangible assets	6	Estimate of recoverable amount and remaining useful life	170
Tangible fixed assets	6	Estimate of recoverable amount and remaining useful life	21 242
Pension liabilities	5	Financial and demographic assumptions	486
Removal obligations		Estimate of removal costs, removal dates and price increases in the period leading up to removal	251

Depreciation / Amortisation

Tangible fixed assets

Depreciation is based on the management's assessment of the useful life of property, plant and equipment. The assessments may change owing, for example, to technological developments and historical experience. This may entail changes in the estimated useful life of the asset and thus the depreciation. It is difficult to predict technological developments, and 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 often 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
As of 1 January 2013, the Group has implemented the amendments in IAS 19 Employee Benefits (adopted by the EU in June 2012) (”IAS 19R”) and changed its basis for calculation of pension

liabilities and pension costs. The Group previously applied the corridor method for recognition of unamortised actuarial gains and losses. According to IAS 19R, the use of the corridor method is no longer permitted, and all actuarial gains and losses must be recognised under other comprehensive income in the statement of comprehensive income. Reference is made to the statement of changes in equity and Note 5 Pensions and pension liabilities.

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. All actuarial gains and losses must be recognised under other comprehensive income in the statement of comprehensive income.

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 percent 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 associated companies

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 percent 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 percent 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. Group contributions and dividends are recorded in the year they are decided.

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, as well as 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 one 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 facilities and is a transmission system operator. These are monopoly-regulated operations. This means that the Norwegian Water Resources and Energy Directorate (NVE) sets an annual limit – a revenue cap – for the grid owner'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. Furthermore, system operation costs are included. Statnett's revenue cap is regulated to ensure that the enterprise has incentives for efficient operation. 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 permitted revenue is adjusted for interruptions through KILE (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 Norwegian Water Resources and Energy Directorate (NVE), are only included in the accounts if it is considered virtually certain that the revenue will be realised.

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.

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, 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 indicated 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 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 tax year. They are classified as other operating expenses.

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

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 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 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 line, 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 assets

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 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.

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 term of 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 term of 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
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 liabilities

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, are recognised under other comprehensive income in the statement of comprehensive income. Net pension costs for the period are presented as wage and staff costs. The Group has chosen to present the net interest expenses element as wage and personnel costs, as this provides the best information about the Group's pension costs.

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, held to maturity, available for sale, loans/receivables and other liabilities. 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, or transferred, or they have expired. Financial instruments are classified as long-term when they are expected to be realised more than 12 months after the balance sheet date. Other financial instruments are classified as short-term.

Pursuant to IAS 32 financial assets are offset against financial liabilities if there is a legally enforceable right to set off the recognised amounts and the enterprise intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivatives and hedging

The Group utilises derivatives such as future interest rate swaps and currency swaps to hedge its interest rate and currency risks. Such derivatives are recognised initially at fair value 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 separate derivatives when their risk and properties are not closely related to the contracts, and the contracts are not recorded at fair value with the change in value carried through profit or loss.

When entering into a hedging contract, the Group will formally identify and document the hedging contract that the Group will use hedge accounting for, as well as the risk that is hedged and the strategy for the hedge. Documentation includes identification of the hedging instrument, or the item or transaction that is hedged, the type of risk that is hedged, and how the Group will assess the effectiveness of the hedging instrument to counteract the exposure to changes in the hedged item's fair value or cash flows that can be attributed to the hedged risk. Such hedges are expected to be highly effective in counteracting changes in fair value or cash flows, i.e. the hedging efficiency must be expected to be within 80-125 percent. Moreover, it must be possible to reliably measure the efficiency of the hedges, and to assess them on a current basis to determine whether they actually have been highly effective throughout the entire accounting period they are intended to cover.

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

Fair value hedging

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

Government grants

Government grants are not recorded in the accounts until it is reasonably certain that the Group will meet the conditions stipulated for receipt of the grants and that the grants will be received. Grants are recorded as a deduction in the expenses that they are meant to cover. 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 company's positions on the balance sheet date is incorporated into the annual financial statements. Events after the balance sheet date that do not affect the company's position on the balance sheet date, but will affect the company's position in the future, are disclosed if they are material.

NOTE 2 OPERATING REVENUES

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 same year.

Statnetts faktiske driftsinntekter fra regulert virksomhet tilsvarer summen av Statnetts tillatte inntekt fastsatt av NVE og mer-/mindreinntekt det samme året.

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 2013**	**R Grid**	**M Grid**	**Total 2012**
Tariff revenues fixed element generation	29	955	**984**	28	940	**968**
Tariff revenues fixed element consumption	28	2 204	**2 232**	42	2 720	**2 762**
Other rental income	88	75	**163**	84	46	**130**
Tariff revenues energy element	2	811	**813**	-	586	**586**
Congestion revenues	-	576	**576**	-	877	**877**
Income from other owners in shared grids	-42	-323	**-365**	-47	-186	**-233**
Total operating revenues regulated activities	**105**	**4 298**	**4 403**	**107**	**4 983**	**5 090**
Permitted revenue						
Revenue cap without grid losses	99	3 890	**3 989**	91	2 902	**2 993**
Revenue cap, grid losses	15	707	**722**	12	555	**567**
Supplement to revenue cap	13	637	**650**	1	464	**465**
Total permitted revenue	**127**	**5 234**	**5 361**	**104**	**3 921**	**4 025**
This year's provision for interest higher/lower (-/+) revenue	1	-60	**-59**	-	-45	**-45**
This year's higher/lower (-/+) revenue	22	936	**958**	-6	-1 058	**-1 065**
Higher/lower (-/+) revenue decision	4	139	**143**	40	232	**272**
This year's changed balance for higher/lower (-/+) revenue	**27**	**1 015**	**1 042**	**34**	**-872**	**-838**
Balance higher/lower (-/+) revenue, incl. interest as at 1 Jan.	34	-3 489	**-3 455**	-	-2 617	**-2 617**
Changed balance for higher/lower (-/+) revenue, incl. Interest	27	1 015	**1 042**	34	-872	**-838**
Balance higher/lower (-/+) revenue, incl. interest as at 31 Dec.	**61**	**-2 474**	**-2 413**	**34**	**-3 489**	**-3 455**

Total operating revenues from regulated operations fell by NOK 687 million from 2012 to 2013, mainly due to lower tariff revenues as a result of lower stipulated tariffs for 2013 compared with 2012.

Statnett is expecting to receive a decision relating to an adjustment in the higher/lower revenue balance as of 31 December 2013 of NOK 143 million. The adjustment will compensate for the equity effect of implementing amended rules for recognition of pension liabilities. This entails a reduction of the main grid higher revenue balance of NOK 139 million. For the regional grid the expected adjustment will result in an increase in the lower revenue of NOK 4 million.

Impact of grid outages on profit

Following the outages at Nyhamna, for the period up to 2012, Statnett is in dialogue with NVE regarding the treatment of system services costs and classification in the KILE scheme related to this incident. The financial consequences for Statnett of such a grid outage have therefore not been clarified. As a result of the March 2013 outage on the Viklandet – Fræna power line, provision have been made in the accounts following the same principle as for past events.

Other operating revenue

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 holds a separate licence to settle the regulating power settlement system in Norway. This involves effectuating a financial settlement of the difference the balance responsible market players have between planned acquisitions and liabilities and the actual measured values. The balance responsible market players are financial counterparties in the settlements and must provide collateral in accordance with the Balance Agreement. The collateral requirement is calculated weekly based on trading volume and market prices. Collateral is posted as a guarantee on demand or as a cash deposit in a pledged bank account. The amount of collateral posted totalled NOK 1 078 million at year-end. The collateral posting for balance responsible market players on the same date was NOK 535 million. All balance responsible market players had posted satisfactory collateral under the Balance Agreement.

In 2013, income for the balance settlement responsibility amounted to NOK 74 million, of which NOK 23 million were fee revenues. Outstanding trade accounts receivables relating to the balance accounting totalled NOK 25 million at 31 December 2013 and are disclosed as trade accounts and other short-term receivables.

Operating profit within and outside grid activities

Parent company

Amounts in NOK million)	**2013**	**2012**
Operating profit within grid activities	309	1 432
Operating profit outside grid activities	9	16
Total operating profit	**318**	**1 448**

Basis for return on invested grid capital

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

The share of common fixed assets is included.

Parent company

(Amounts in NOK million)	2013	2012
Basis for return on invested grid capital	19 222	17 215

Return on invested grid capital

Return is defined as the operating profit/loss viewed in relation to the regulatory asset base. The operating profit/loss is given as the annual permitted revenue from own grid less costs of own grid

Parent company

(Return in percentage)	2013	2012
Return on invested grid capital	6 %	2 %

NOTE 3 SYSTEM SERVICES AND TRANSMISSION LOSSES

Parent company			Group	
2012	**2013**	*(Amounts in NOK million)*	**2013**	**2012**
22	19	Net regulating and peak power	19	22
98	135	Primary reserves	135	98
12	62	Secondary reserves	62	12
65	87	Tertiary reserves	87	65
126	102	Transit costs	102	126
124	104	Special adjustments	104	124
58	60	Other system services	60	58
505	**569**	**Total system services**	**569**	**505**

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. The extent of primary reserves is determined by agreements at Nordic level and the reserves are acquired through market solutions.

Secondary reserves

Automatic secondary reserves are activated to release the primary reserves so that they in turn can quickly handle any new faults or imbalances. Automatic secondary reserves function by the TSO sending a signal to a market player/power plant, which will then change the plant's generation. Secondary reserves are also referred to as 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 at Nordic level and the reserves are acquired through market solutions.

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

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 percent of the facilities are owned by other companies than Statnett SF.

Parent company			Group	
2012	2013		2013	2012
2 465	2 287	Volume (GWh)	2 287	2 465
241	304	Price (NOK/MWh)	304	241
		(Amounts in NOK million)		
593	696	Transmission losses	696	593
-2	2	Transmission losses result other	2	-2
591	**698**	**Total transmission losses**	**698**	**591**

NOTE 4 SALARIES AND PERSONNEL COSTS

Parent company			Group	
2012	2013	*(Amounts in NOK million)*	2013	2012
684	775	Salaries	784	692
122	126	Employer's national insurance contributions (NICs)	128	124
211	166	Pension costs (Note 5)	168	212
78	92	Other benefits	87	74
1 095	**1 159**	**Total salaries and personnel costs**	**1 167**	**1 102**
-300	-388	Of which own investment projects	-388	-300
795	**771**	**Net salaries and personnel costs**	**779**	**802**
973	1 060	Number of full-time equivalents	1 074	986

Employee loans

Employees had loans in the company totalling NOK two million as at 31 December 2013. The loans are repaid by salary deductions over a period of up to two years. The loans are interest-free for the employee. The interest gain of loans exceeding 3/5 of the basic amount 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 percent 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 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 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 percent 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 percent 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 percent 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 K2013 , based on the best estimates for the populations in Norway, is applied for 2013 (K2005 for 2012).

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 2014 as en estimate of the situation at 31 December 2013.

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.

Implementation of IAS 19R

As of 1 January 2013, the Group has implemented the amendments in IAS 19 Employee Benefits (adopted by the EU in June 2012 ("IAS 19R")) and changed its basis for calculation of pension liabilities and pension costs. The Group previously applied the corridor method for recognition of unamortised actuarial gains and losses. According to IAS 19R, the use of the corridor method is no longer permitted, and all actuarial gains and losses must be recognised under other comprehensive income in the income statement. Actuarial gains and losses, as at 1 January 2012 amounting to NOK 771 million, have been set to zero (NOK 144 million as at 1 January 2013). Consequently, pension liabilities increased by NOK 771 million as at 1 January 2012, whereas equity was reduced by NOK 555 million (after tax).

The Group has chosen to present the net interest expenses element as wage and personnel costs, as this provides the best information about the Group's pension costs.

Return on pension assets was previously calculated using the long-term projected yield on pension assets. Pursuant to IAS 19R, net interest expenses associated with the pension scheme consist of interest on the liability less the return on the assets, both calculated using the discount rate. The difference between actual and recognised return on pension assets is recognised consecutively in other comprehensive income.

The change in recognition principle for unamortised actuarial gains and losses has resulted in virtually unchanged recognised pension costs in 2012. The change in actuarial gains/losses of NOK 627 million was recorded as income in other comprehensive income in the fourth quarter of 2012.

Below is an overview of the effects on the accounts as a result of the implementation:

Changes to estimate deviations, implementation of IAS 19R

Parent company			Group	
01.01.12	**01.01.13**	*(Amounts in NOK million)*	**01.01.13**	**01.01.12**
771	144	Increased pension liabilities	144	771
-216	-41	Reduced deferred tax	-41	-216
-555	-103	Reduced equity	-103	-555

Members of the pension scheme

Parent company			Group	
2012	**2013**		**2013**	**2012**
1 419	1 445	Members of the pension fund	1 464	1 441
364	361	Of which pensioners	366	368
1 055	**1 084**	**No. of active pension scheme members**	**1 098**	**1 073**

Financial/actuarial assumptions, parent company and Group	2013	2012
Discount rate corporate covered bonds (OMF)	4.10 %	3.90 %
Expected return on pension assets	4.10 %	3.90 %
Expected wage adjustments	3.75 %	3.50 %
Expected pension adjustments	2.75 %	3.25 %
Expected adjustment of basic amount (G) under NIS	3.50 %	3.25 %
Mortality table	K2013	K2005
Remaining service period	16 years	19 years

Percentual breakdown of pension assets into investment categories, parent company and Group as at 31 December.	2013	2012
Property	5 %	5 %
Held-to-maturity bonds	26 %	31 %
Norwegian bonds	26 %	22 %
Foreign bonds	0 %	5 %
High-interest bonds	4 %	4 %
Norwegian money market	15 %	12 %
Foreign shares	19 %	15 %
Norwegian shares	5 %	4 %
Loans and receivables	0 %	0 %
Bank deposits	0 %	3 %
Total	**100 %**	**100 %**

Pension costs

Parent company			Group	
2012	2013	*(Amounts in NOK million)*	2013	2012
213	145	Present value of this year's pension contributions	147	214
49	64	Interest cost of pension liability	65	49
-51	-44	Expected return on pension assets	-44	-51
211	**166**	**Net pension costs**	**168**	**212**
30	22	Employer's contributions	22	30
241	**188**	**Net pension costs, incl. employer's cont.**	**190**	**242**

The expected pension premium for 2014 is NOK 180 million for the parent company and NOK 182 million for the Group.

Secured and unsecured pension liabilities and pension assets

Parent company				Group		
01.01.12	31.12.12	31.12.13	*(Amounts in NOK million)*	31.12.13	31.12.12	01.01.12
			Change in gross pension liability			
1 685	2 293	1 870	Gross pension liability at 1 Jan.	1 884	2 310	1 699
139	198	156	Present value of the year's pension contributions	158	200	140
64	57	73	Interest costs of pension liability	73	57	65
447	-626	10	Actuarial gains and losses	10	-631	450
-16	-22	-22	Employer's contribution on premium paid	-22	-22	-17
-26	-30	-36	Disbursed pension/paid-up policies	-36	-30	-27
2 293	**1 870**	**2 051**	**Gross pension liabilities as at 31 Dec.**	**2 067**	**1 884**	**2 310**
			Change in gross pension assets			
1 028	1 177	1 321	Fair value of pension assets at 1 Jan.	1 332	1 187	1 038
58	51	49	Actual return on pension assets	50	51	58
-4	-38	70	Actuarial gains and losses	70	-37	-4
116	155	156	Premium paid	159	156	117
-21	-25	-30	Pension/paid-up policies disbursed	-30	-25	-22
1 177	**1 320**	**1 566**	**Actual value of pension assets as at 31 Dec.**	**1 581**	**1 332**	**1 187**
1 116	**550**	**485**	**Net pension liabilities as at 31 Dec.**	**486**	**552**	**1 123**
-	**-**	**-**	**Capitalised pension assets at 31 Dec.**	**-**	**-**	**-**
1 116	**550**	**485**	**Capitalised pension liabilities at 31 Dec**	**486**	**552**	**1 123**
2 149	**1 764**	**1 946**	***) Gross secured pension liabilities at 31 Dec.**	**1 962**	**1 778**	**2 166**
144	**106**	**105**	***) Gross unsec. pension liabilities at 31 Dec.**	**105**	**106**	**144**

Changes in estimate variances for the year

Parent company				Group		
01.01.12	31.12.12	31.12.13	*(Amounts in NOK million)*	31.12.13	31.12.12	01.01.12
771	144	-60	Change in pension liabilities	-60	144	771
-216	-41	16	Deferred tax	16	-41	**-216**
-555	**-103**	**44**	**Equity - through Other Comprehensive Income**	**44**	**-103**	**-555**

Changes in estimate variances for the year

Parent company 2012	Parent company 2013	(Amounts in NOK million)	Group 2013	Group 2012
-631	-73	Discount rate	-73	-631
37	-76	Rate of return assets	-76	37
-	33	Salaries growth	33	-
-	-32	Adjustments to G	-32	-33
-34	-108	Pension adjustments	-108	-
-	188	Mortality table (K2013)	188	-
-	8	Service cost	8	-
-627	**-60**	**Total changes in estimate variances for the year**	**-60**	**-627**

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 2013 are based on the facts and circumstances at 31 December 2013. Actual results may differ significantly from these estimates.

Pension liabilities and costs	Current assumptions	Discount rate		Annual salaries growth 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)	175	231	135	153	201	152	203
Defined-benefit pension liabilities - minimum pension liability (ABO)	1 550	1 900	1 305	1 550	1 550	1 371	1 783
Defined-benefit pension liabilities - present value of pension liability (PBO)	2 047	2 583	1 646	1 885	2 236	1 783	2 367
Group							
Pension cost before adjustment for interest costs and return on pension assets (SC)	177	234	136	155	203	154	206
Defined-benefit pension liabilities - minimum pension liability (ABO)	1 562	1 916	1 315	1 562	1 562	1 382	1 797
Defined-benefit pension liabilities - present value of pension liability (PBO)	2 063	2 604	1 659	1 900	2 254	1 797	2 386

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.

Mortality risk table K2013

	Probability of disability		Probability of death		Life expectancy	
Age	Men	Women	Men	Women	Men	Women
20	0.13 %	0.16 %	0.03 %	0.01 %	68	72
40	0.21 %	0.35 %	0.07 %	0.04 %	46	50
60	1.48 %	1.94 %	0.47 %	0.32 %	26	29
80	-	-	4.81 %	3.30 %	9	11

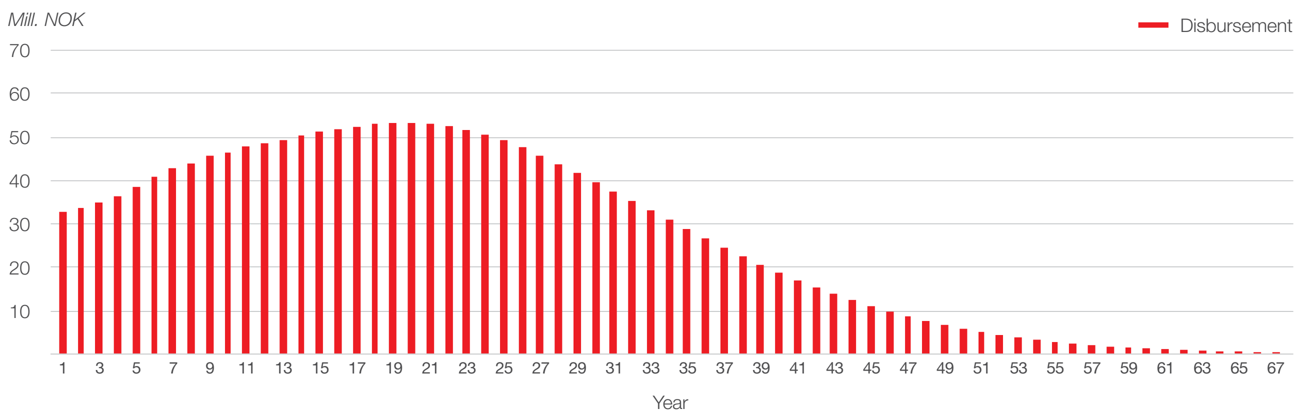
Mortality risk table K2005

	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. 2013. Average weighted maturity has been taken into account when choosing discount rate.

Current value of future disbursements at 31 Dec. 2013



NOTE 6 TANGIBLE FIXED ASSETS AND OTHER INTANGIBLE FIXED ASSETS

(Amounts in NOK million)

Parent company

	Electro-technical equipmen	ICT equip-ment	Buildings and land	Other operating equipment	Total
Acquisition cost at 1 Jan. 2012	**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 1 Jan. 2013	**22 904**	**1 484**	**2 918**	**358**	**27 664**
Additions, acquisition cost	2 883	397	1 328	111	**4 719**
Disposals, acquisition cost	175	167	139	35	**516**
Acquisition cost at 31 Dec. 2013	**25 612**	**1 714**	**4 107**	**434**	**31 867**
Accumulated 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**
Accumulated ordinary depreciation at 1 Jan. 2013	**8 423**	**857**	**584**	**179**	**10 043**
Ordinary depreciation for the year	686	176	91	45	**998**
Disposals, ordinary depreciation	257	154	63	33	**507**
Accumulated ordinary depreciation at 31. Dec. 2013	**8 852**	**879**	**612**	**191**	**10 534**
Book value at 31 Dec. 2012	**14 481**	**627**	**2 334**	**179**	**17 621**
Book value at 31. Dec. 2013	**16 760**	**835**	**3 495**	**243**	**21 333**
Of which intangible fixed assets					
31 Dec. 2012	-	72	-	-	**72**
31 Dec. 2013	-	157	-	-	**157**
Of which financial leasing:					
31 Dec. 2012	217	98	189	-	**504**
31 Dec. 2013	208	97	174	-	**479**
Acquisition cost for tangible fixed assets fully depreciated, but still in use	1 124	514	46	69	**1 753**
Depreciation rate (straight-line)	2-7 %	5-33 %	0-2 %	10-33 %	

(Amounts in NOK million)

Group

	Electro-technical equipmen	ICT equip-ment	Buildings and land	Other operating equipment	Total
Acquisition cost at 1 Jan. 2012	**22 470**	**1 328**	**2 489**	**612**	**26 899**
Additions, acquisition cost	544	261	435	102	**1 342**
Disposals, acquisition cost	110	105	6	14	**235**
Acquisition cost at 1 Jan. 2013	**22 904**	**1 484**	**2 918**	**700**	**28 006**
Additions, acquisition cost	2 883	397	1 366	138	**4 784**
Disposals, acquisition cost	175	167	139	55	**536**
Acquisition cost at 31 Dec. 2013	**25 612**	**1 714**	**4 145**	**783**	**32 254**
Accumulated ordinary depreciation at 1 Jan. 2012	**7 937**	**827**	**508**	**218**	**9 490**
Ordinary depreciation for the year	567	132	79	47	**825**
Disposals, ordinary depreciation	81	102	3	13	**199**
Accumulated ordinary depreciation at 1 Jan. 2013	**8 423**	**857**	**584**	**252**	**10 116**
Ordinary depreciation for the year	686	176	96	60	**1 018**
Disposals, ordinary depreciation	257	154	63	48	**522**
Accumulated ordinary depreciation at 31. Dec. 2013	**8 852**	**879**	**617**	**264**	**10 612**
Book value at 31. Dec. 2012	**14 481**	**627**	**2 334**	**448**	**17 890**
Book value at 31. Dec. 2013	**16 760**	**835**	**3 528**	**519**	**21 642**
Of which intangible fixed assets					
31 Dec. 2012	-	72	-	13	**85**
31 Dec. 2013	-	157	-	13	**170**
Of which financial leasing:					
31 Dec. 2012	217	98	189	-	**504**
31 Dec. 2013	208	97	174	-	**479**
Acquisition cost for tangible fixed assets fully depreciated, but still in use	1 124	514	46	69	**1 753**
Depreciation rate (straight-line)	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 varing 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 2012	Parent company 2013	(Amounts in NOK million)	Group 2013	Group 2012
2 429	4 233	Acquisition cost at 1 January	4 233	2 429
3 152	6 415	Additions during the year	6 4135	3 152
-1 339	-4 545	Transferred to tangible fixed assets	-4 545	-1 339
-9	-18	Write-offs	-18	-9
4 233	**6 085**	**Acquisition cost at 31 December**	**6 085**	**4 233**
-2	-2	Accumulated write-downs	-2	-2
46	-63	Effect, hedged forward exchange contracts	-63	46
4 277	**6 020**	**Balance sheet value at 31 December**	**6 020**	**4 277**

Specification of additions during the year:

Parent company 2012	Parent company 2013	(Amounts in NOK million)	Group 2013	Group 2012
2 104	5 026	Materials and subcontractors	5 026	2 104
300	388	Salaries and personnel costs	388	300
645	843	Other operating costs	843	645
3 049	**6 257**	**Total operating costs**	**6 257**	**3 049**
103	158	Construction interest	158	103
3 152	**6 415**	**Total**	**6 415**	**3 152**

Average capitalisation rate used to determine the loan expense amount that can be capitalised:	**2013**	**2012**
	2.95 %	3.34 %

Major contractual obligations, projects as at 31 Dec. 2013

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

(Amounts in NOK million)	Future contractual obligations	Accrued costs
Project		
Ørskog - Sogndal, new 420 kV power line	1 100	2 565
Eastern Corridor, voltage upgrade and new power line	422	598
Skagerrak 4	388	990
Transformer capacity Eastern Norway	170	232
Power capacitator, Feda	156	80
Ytre Oslofjord	124	111
Cables for emergency repair North-Norway	104,4	15
Upgrading of Statnett's central operations system	90	244
Ofoten - Balsfjord - Hammerfest, new 420 kV power line	58	270
Reactors for power reduction	56	122
Renewal Lakselv station	51	50
Total	**2 719**	**5 277**
Other		743
Total plants under construction		**6 020**

NOTE 8 FINANCIAL ITEMS- PROFIT/LOSS

Parent company			Group	
2012	**2013**	*(Amounts in NOK million)*	**2013**	**2012**
		Financial income		
20	-	Income from investment in subsidiaries	-	-
15	4	Income from investment in associates	-	-
42	49	Interest income	55	48
-2	-3	Change in value of derivatives	-3	-2
30	49	Gain on exchange	50	30
-	10	Other financial income	24	19
105	**109**	**Total financial income**	**126**	**95**
		Financial costs		
435	480	Interest costs	479	430
-103	-158	Capitalised construction interest	-158	-103
37	33	Loss on exchange	33	38
8	59	Other financial costs	38	10
377	**414**	**Total financial costs**	**392**	**375**

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 swaps 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.

(Amounts in NOK million)

Parent company	Category	2013 Book value	2013 Fair value	2012 Book value	2012 Fair value
ASSETS					
Fixed assets					
Long-term receivables	Loans and receivables	141	141	300	300
Subord. capital in Statnett SFs pension fund	Fair value through profit/loss	75	75	75	75
Financial assets available for sale	Available for sale	9	9	5	5
Derivatives	Fair value through profit/loss	1 076	1 076	1 037	1 037
Total fixed asset investments		**1 301**	**1 301**	**1 417**	**1 417**
Current assets					
Trade accounts receivable	Loans and receivables	176	176	199	199
Derivatives	Fair value through profit/loss	40	40	3	3
Other short-term receivables	Loans and receivables	893	893	862	862
Total trade accounts and other short-term receivables		**1 109**	**1 109**	**1 064**	**1 064**
Investment in market-based securities	**Fair value through profit/loss**	**311**	**311**	**327**	**327**
Liquid assets	**Fair value through profit/loss**	**873**	**873**	**561**	**561**
LIABILITIES					
Long-term interest-bearing debt	Other liabilities	16 855	16 985	12 375	12 482
Derivatives	Fair value through profit/loss	586	586	248	248
Total long-term interest-bearing debt		**17 441**	**17 571**	**12 623**	**12 730**
Short-term interest-bearing debt	Other liabilities	3 152	3 165	1 884	1 885
Derivatives	Fair value through profit/loss	8	8	22	22
Total short-term interest-bearing debt		**3 160**	**3 173**	**1 906**	**1 907**
Trade accounts payable and other short-term debt	**Other liabilities**	**1 488**	**1 488**	**1 234**	**1 234**

(Amounts in NOK million)

Group	Category	2013 Book value	2013 Fair value	2012 Book value	2012 Fair value
ASSETS					
Fixed assets					
Long-term receivables	Loans and receivables	1	1	125	125
Subord. capital in Statnett SFs pension fund	Fair value through profit/loss	75	75	75	75
Financial assets available for sale	Available for sale	9	9	5	5
Derivatives	Fair value through profit/loss	1 076	1 076	1 037	1 037
Total fixed asset investments		**1 161**	**1 161**	**1 242**	**1 242**
Current assets					
Trade accounts receivable	Loans and receivables	144	144	209	209
Derivatives	Fair value through profit/loss	40	40	3	3
Other short-term receivables	Loans and receivables	896	896	764	764
Total trade accounts and other short-term receivables		**1 080**	**1 080**	**976**	**976**
Investment in market-based securities	**Fair value through profit/loss**	**640**	**640**	**668**	**668**
Liquid assets	**Fair value through profit/loss**	**970**	**970**	**634**	**634**
LIABILITIES					
Long-term interest-bearing debt	Other liabilities	16 855	16 985	12 236	12 343
Derivatives	Fair value through profit/loss	586	586	248	248
Total long-term interest-bearing debt		**17 441**	**17 571**	**12 484**	**12 591**
Short-term interest-bearing debt	Other liabilities	2 460	2 473	1 884	1 885
Derivatives	Fair value through profit/loss	8	8	22	22
Total short-term interest-bearing debt		**2 468**	**2 481**	**1 906**	**1 907**
Trade accounts payable and other short-term debt	**Other liabilities**	**1 555**	**1 555**	**1 251**	**1 251**

Fair value hierarchy

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.

Financial assets and liabilities are measured at fair value according to the following valuation method:

As at 31 Dec. 2012
(Amounts in NOK million)

Parent company	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets at fair value through profit or loss				
Subord. capital in Statnett SF's pension fund	-	-	75	**75**
Investment in market-based securities	312	-	-	**312**
Liquid assets	873	-	-	**873**
Financial assets available for sale				
Minor shareholdings in non-listed companies	-	-	9	**9**
Hedging				
Derivatives	-	1 115	-	**1 115**
Total assets	**1 185**	**1 115**	**84**	**2 384**
LIABILITIES				
Other financial liabilities accounted for at amortised cost				
Interest-bearing debt	20 601	-	-	**20 601**
Hedging				
Derivatives	-	595	-	**595**
Total liabilities	**20 601**	**595**	**-**	**21 196**

(Amounts in NOK million)

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS				
Financial assets at fair value through profit or loss				
Subord. capital in Statnett SF's pension fund	-	-	75	**75**
Investment in market-based securities	640	-	-	**640**
Liquid assets	970	-	-	**970**
Financial assets available for sale				
Minor shareholdings in non-listed companies	-	-	9	**9**
Hedging				
Derivatives	-	1 115	-	**1 115**
Total assets	**1 610**	**1 115**	**84**	**2 809**
LIABILITIES				
Other financial liabilities accounted for at amortised cost				
Interest-bearing debt	19 901	-	-	**19 901**
Hedging				
Derivatives	-	595	-	**595**
Total liabilities	**19 901**	**595**	**-**	**20 496**

There has been no transactions between level 1 og 2 during the periode.

Parent company			**Group**	
2012	**2013**		**2013**	**2012**
80	80	Opening balance at 1. January	80	80
-	1	Net unrealised gain/loss in periode	1	-
-	3	Purchase during periode	3	-
80	**84**	**Total fair value level 3**	**84**	**80**

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	2014	2015	2016	2017	2018-	Upon demand*	Total
Fixed rate loans							
Certificate issues	1 200	-	-	-	-	-	1 200
Bond issues	595	557	596	1 867	10 031	-	13 646
Total fixed rate loans	**1 795**	**557**	**596**	**1 867**	**10 031**	**-**	**14 846**
Floating rate loans							
Other interest-bearing debt	180	6	16	-	564	693	1 459
Bond issues	400	-	-	-	888	-	1 288
Loans from financial institutions	92	92	92	92	2 640	-	3 008
Total floating rate loans	**672**	**98**	**108**	**92**	**4 092**	**693**	**5 755**
Total short-term debt	**2 467**	**-**	**-**	**-**	**-**	**693**	**3 160**
Total long-term debt	**-**	**655**	**704**	**1 959**	**14 123**	**-**	**17 441**
Total interest-bearing debt	**2 467**	**655**	**704**	**1 959**	**14 123**	**693**	**20 601**

** Statnett SF intra-group loans of NOK 693 million, payable on demand.*

Loans by currency as at 31 Dec. 2013

(Amounts in millions)

Information about interest-bearing debt	Average interest rate 1)	Loans in currency	Loans in NOK
Valuta			
NOK	2.81 %	12 517	12 517
JPY	1.76 %	9 000	544
CHF	1.91 %	400	2 970
SEK	1.82 %	200	188
USD	2.70 %	720	3 659
EUR	2.38 %	70	550
EUR*	**	21	173
Total			**20 601**

* *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)*

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.

(Beløp i mill. kr)

Maturity of fixed interest of the loan portfolio	2014	2015	2016	2017	2018-	Total
(Amounts in NOK million)	16 105	596	688	92	3120	**20 601**

Market-based securities

Parent company Acquisition cost	Book value	(Amounts in NOK million)	Group Acquisition cost	Book value
74	72	Government	74	72
76	77	Municipality/municipal operations	86	87
63	62	Financial institutions, including banks	284	286
99	100	Private/industry	136	138
312	**311**	**Total bonds**	**580**	**583**
-	-	Norwegian equity funds	21	27
-	-	Foreign equity funds	23	30
-	**-**	**Total equity funds**	**44**	**57**
312	**311**	**Total market-based securities**	**624**	**640**

All market based securitres are terminated in Norwegian kroner (NOK).

Unrealised interest gain/losses changed from NOK 3 million to NOK 0 during the period. Which resulted in a loss of NOK -3 million, recognised in Other financial income.

Age distribution trade receivable

Amounts in NOK million

	Not due	1-30 days	31-60 days	61-90 days	Over 90 days	Total trade acc. rcvb.
Parent company	163	8	1	2	3	**176**
Group	163	17	1	3	3	**187**

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.

Alle rente- og valutaswapper er knyttet til underliggende lån og eventuelt tap eller gevinst på swappen vil derfor tilsvare henholdsvis gevinst eller tap på lånet.

(Amounts in NOK million)

Maturity	Principal lending	Principal borrowing	Market value* 2012	Cash flow 2013	Market value* 2013	Change in value***	Intr. rate terms Statnett receives	Intr. Rate terms Statnett pays
Free-standing derivatives**								
2015	NOK 200	NOK 200	14	6	9	2	Fixed	Nibor 6 months
2015	NOK 200	NOK 200	-9	-4	-6	-1	Nibor 6 months	Fixed
2019	NOK 350	NOK 350	-	-	-1	-1	Nibor 3 months	Nibor 6 months
2019	NOK 350	NOK 350	-	-	-1	-1	Nibor month	Nibor 6 months
Total			**-5**	**2**	**1**	**-1**		
Derivatives, cash flow hedges								
2014	NOK 200	NOK 200	-6	-5	-2	-1	Nibor 6 months	Fixed
2014	NOK 200	NOK 200	-5	-4	-2	-1	Nibor 6 months	Fixed
2016	NOK 400	NOK 400	-20	-7	-16	-1	Nibor 6 months	Fixed
2021	NOK 400	NOK 400	-11	-5	-7	-4	Nibor 6 months	Fixed
2021	NOK 500	NOK 500	-14	-6	-9	-1	Nibor 6 months	Fixed
2021	NOK 400	NOK 400	-12	-5	-8	-1	Nibor 6 months	Fixed
2022	NOK 393	NOK 393	-49	-10	-40	-1	Nibor 6 months	Fixed
Total			**-117**	**-42**	**-84**	**-10**		

(Amounts in NOK million)

Fair value hedging****

Maturity	Principal lending	Principal borrowing	Market value* 2012	Market value* 2013	Intr. rate terms Statnett receives	Intr. Rate terms Statnett pays
2014	NOK 300	NOK 300	6	2	Fixed	Nibor 6 months
2014	JPY 5000	NOK 296	35	-3	Fixed JPY	Nibor 6 months
2015	NOK 50	NOK 50	3	2	Fixed	Nibor 6 months
2017	CHF 250	NOK 1290	445	576	Fixed CHF	Nibor 6 months
2019	JPY 4000	NOK 201	81	49	Fixed JPY	Nibor 6 months
2019	NOK 150	NOK 150	-	-2	Fixed	Nibor 6 months
2019	NOK 150	NOK 150	-	-2	Fixed	Nibor 6 months
2020	NOK 300	NOK 300	50	43	Fixed	Nibor 6 months
2020	NOK 60	NOK 60	5	4	Fixed	Nibor 6 months
2021	SEK 200	NOK 180	-10	8	SEK Stibor 3 months	Nibor 6 months
2021	CHF 150	NOK 923	114	180	Fixed CHF	Nibor 6 months
2023	NOK 600	NOK 600	94	78	Fixed	Nibor 6 months
2024	USD 100	NOK 603	-33	-45	Fixed USD	Nibor 6 months
2025	NOK 600	NOK 600	102	83	Fixed	Nibor 6 months
2026	EUR 70	NOK 532	-	17	Fixed EUR	Nibor 6 months
2027	NOK 1000	NOK 1000	40	14	Fixed	Nibor 6 months
2028	USD 80	NOK 457	-7	-39	Fixed USD	Nibor 6 months
2028	USD 80	NOK 464	-	-45	Fixed USD	Nibor 6 months
2029	USD 15	NOK 87	-	-9	Fixed USD	Nibor 6 months
2032	USD 160	NOK 928	-	-117	Fixed USD	Nibor 6 months
2033	USD 220	NOK 1256	33	-169	Fixed USD	Nibor 6 months
2043	USD 30	NOK 171	-7	-34	Fixed USD	Nibor 6 months
2043	USD 35	NOK 203	-	-37	Fixed USD	Nibor 6 months
Sum			**951**	**554**		

** 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 1.100 million are related to underlying loans, but hedge accounting is not used.*
**** Changes in market value includes cash flow for 2013.*
***** 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 2013.

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

Valuta

(Amounts in NOK million)

	Nominal amount in currency	Nominal amount in NOK	Average hedge rate	Market rate*	Market value
SEK	393	356	0,90	0,95	15
EUR	70	559	7,96	8,38	35
Total forward exchange contracts	**-**	**915**	**-**	**-**	**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 2013.

Set-off
Statnett has no financial instruments that are set off and presented net in the balance sheet statement.

Statnett has entered into CSA (Credit Support Annex) agreements with most major banks. This entails that the market value of derivaties entered into between Statnett and a counterparty is settled on a weekly basis, and that monetary security is received or given for any outstanding amounts. Master netting agreements allow set-offs of other outstanding accounts with customers if certain conditions arise. The amounts have not been set off in the balance sheet as the transactions will not normally be settled on a net basis.

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 specific 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. Nor are there any explicit equity requirements other than those sti-

pulated in applicable laws and regulations. The main objective of Statnett's capital management structure is to ensure that the enterprise has a sound financial position, which enables the enterprise to operate and develop the main grid in a socio-economically profitable manner in line with plans and the owner's expectations. It is a priority with the Statnett Board of Directors to maintain a robust A rating or better. In September 2013, Statnett requested more equity from the owner and a lower dividend share. The request was granted through the 2014 fiscal budget. The owner has changed the dividend policy for the fiscal years 2013-2016 in line with the request for equity to zero dividend for 2013, and subsequently to 25 percent of the Group's net profit for the year, adjusted for the changed balance for higher/lower revenues after tax. Moreover, the capital structure is managed by raising and paying off short-term and long-term debt, as well as through changes in liquid assets. There have been no changes to capital management guidelines or objectives in 2013.

Overview of capital included in capital structure management:

Parent company			Group	
2012	**2013**	*(Amounts in NOK million)*	**2013**	**2012**
12 623	17 441	Long-term interest-bearing liabilities	17 441	12 484
1 906	3 160	Short-term interest-bearing liabilities	2 468	1 906
888	1 184	Liquid assets and investment in market-based securities	1 610	1 302
13 641	19 417	Net liabilities	18 299	13 088

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 6.5 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 27 March 2014, 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.

(Amounts in NOK million)

Parent company

As at 31 Dec. 2013	Under 1 year	1 to 3 years	3 to 6 years	3 to 6 years	10 years+	Total
Interest-bearing debt and interest payments	3 738	2 423	4 624	5 734	10 156	**26 675**
Other liabilities	-	40	184	-	27	**251**
Trade acc.payable and other short-term debt	1 488	-	-	-	-	**1 488**
Derivatives	1 817	1 342	2 421	1 088	5 158	**11 826**
Total	**7 043**	**3 805**	**7 229**	**6 822**	**15 341**	**40 240**
Derivatives						
Received	1 936	1 535	3 133	1 425	5 861	**13 891**
Disbursed	-1 817	-1 342	-2 421	-1 088	-5 158	**-11 826**
Net derivatives	**118**	**194**	**713**	**337**	**703**	**2 065**

(Amounts in NOK million)

Group

As at 31 Dec. 2013	Under 1 year	1 to 3 years	3 to 6 years	3 to 6 years	10 years+	Total
Interest-bearing debt and interest payments	3 028	2 423	4 624	5 734	10 156	**25 965**
Other liabilities	-	40	184	-	27	**251**
Trade acc.payable and other short-term debt	1 555	-	-	-	-	**1 555**
Derivatives	1 817	1 342	2 421	1 088	5 158	**11 826**
Total	**6 400**	**3 805**	**7 229**	**6 822**	**15 341**	**39 597**
Derivatives						
Received	1 936	1 535	3 133	1 425	5 861	**13 891**
Net derivatives	-1 817	-1 342	-2 421	-1 088	-5 158	**-11 826**
Netto derivater	**118**	**194**	**713**	**337**	**703**	**2 065**

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	
2012	**2013**	*(Amounts in NOK million)*	**2013**	**2012**
561	873	Liquid assets, excl. time deposits	970	634
327	311	Bonds and certificates	583	613
1 040	1 115	Derivatives	1 115	1 040
299	139	Long-term receivables, excl. derivatives	-	124
1 061	1 070	Trade accounts and other short-term receivables, excl. derivatives	1 040	973
3 288	**3 508**	**Total maximum credit exposure**	**3 708**	**3 384**

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 as at 31 December 2013 that had not been swapped or reserved to future payments or bank deposits in foreign currency totalled NOK 389 million for the parent company and for the Group. Foreign equity funds and shares totalled NOK 29 million for the Group.

Exchange rate sensitivity

Parent company (Amounts in NOK million)		Change in NOK exchange rate %	Group (Amounts in NOK million)	
2012	2013		2013	2012
-2	-3	+5	-4	-3
2	3	-5	4	3

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

Interest rate risk

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

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

Interest rate sensitivity

The following table shows the sensitivity of the parent company and the Group to potential changes the in 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 2013.

Effect on result Parent company (Amounts in NOK million)		Change in interest rate level %	Effect on result Group (Amounts in NOK million)	
2012	2013		2013	2012
-5	-7	+1	-12	-11
5	7	-1	12	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. 0.37 percentage points over a six-month period. Net borrowing costs will then change approx. NOK 136 million, annualy.

Average effective interest rate

The table below shows the average effective interest rate for the individual financial instruments for the full years 2012 and 2013. Statnett has had lower interest yield on deposits as a result of lower short-term interest rates.

Parent company			Group	
2012	2013		2013	2012
4.02 %	2.77 %	Bonds and certificates	2.97 %	4.77 %
2.39 %	2.02 %	Deposits	2.03 %	2.39 %
-	-	Shares and equity funds	28.20 %	12.42 %
3.43 %	2.91 %	Loans	2.91 %	3.43 %

NOTE 11 TAXES

Tax on result

Parent company			Group	
2012	2013	*(Amounts in NOK million)*	2013	2012
221	-	Tax payable	25	220
107	18	Change in deferred tax/tax benefit	3	105
-	-16	Change in tax rates	-21	-
328	**2**	**Tax**	**7**	**325**

Reconciliation of effective tax rate

Parent company			Group	
2012	2013	*(Amounts in NOK million)*	2013	2012
1 177	14	Profit before tax	89	1 162
329	4	28% tax	25	326
-7	9	Permanent differences 28%	2	-2
6	5	Share of profit/loss in KS, FKV and TS	1	1
-	-16	Effect of change in tax rates*	-21	-
328	**2**	**Tax**	**7**	**325**
28 %	**14 %**	**Effective tax rate**	**8 %**	**28 %**

** As of the fiscal year 2014, the tax rate for ordinary income in Norway has been reduced to 27%. Assets and liabilities in con nection with deferred tax have been valued as of 31 December 2013 using the new tax rate. The effect on the tax expense for the period is NOK 16 million in Statnett SF and NOK 21 million in the Group.*

Tax payable balance sheet

Parent company			Group	
31.12.2012	31.12.2013	*(Amounts in NOK million)*	31.12.2013	31.12.2012
221	-	Tax payable for the year	25	221
-11	-	Tax payable in conn. with group contribution	-25	-11
210	**-**	**Tax payable balance sheet**	**-**	**210**

Deferred tax(-)/tax asset in the balance sheet

Parent company				Group		
01.01.12	31.12.12	31.12.13	*(Amount in NOK thousand)*	31.12.13	31.12.12	01.01.12
-	-	-	Other intangible assets	-3	-4	-4
-515	-640	-768	Fixed assets	-809	-666	-537
42	50	57	Profit and loss account	15	50	42
-	-19	-19	Receivables	-	-3	10
-	-	-	Technical provisions insurance	-64	-61	-63
315	155	131	Pensions	131	155	315
-	9	-20	Securities and financial instruments (excl. cash flow hedges)	-21	7	-1
16	33	23	Cash flow hedges	23	33	16
17	21	70	Other tax-related provisions	64	21	17
-2	**-11**	**24**	**Tax effect of Group contribution**	**24**	**-11**	**-2**
-	-	82	Tax loss carried forward	83	14	17
-127	**-402**	**-420**	**Total deferred tax(-)/tax assets (net)**	**-557**	**-465**	**-190**

* *As of 1 January 2013, the Group has implemented the amendments in IAS 19 Employee Benefits (adopted by the EU in June 2012) (IAS 19R) and changed its basis for calculation of pension liabilities and pension costs. The Group previously applied the corridor method for recognition of unamortised actuarial gains and losses. The corridor method is no longer permitted under IAS 19R. Reference is made to Note 5 Pensions and pension liabilities. Actuarial gains and losses as of 1 January 2012 amounting to NOK 771 million have been set at zero (NOK 144 million as at 1 January 2013). As a result, the deferred tax increased by NOK 216 million as of 1 January 2012 (NOK 41 million as of 1 January 2013).*

Changes in temporary differences

Parent company	31.12.2012	Recog-nised	Other compre-hensive income	Group contribu-tion	31.12.2013
Fixed assets	2 286	557	-	-	2 843
Profit and loss account	-180	-31	-	-	-211
Receivables	66	5	-	-	71
Pensions	-549	4	60	-	-485
Securities and financial instruments (excl. cash flow hedges)	-34	108	-	-	74
Cash flow hedges	-117	-	33	-	-84
Other provisions	-75	-186	-	-	-261
Group contribution	40	-	-	-129	-89
Tax loss carried forward	-	-303			-303
Total	**1437**	**154**	**93**	**-129**	**1 555**

Group	31.12.2012	Recog-nised	Other compre-hensive income	Group contribu-tion	31.12.2013
Other intangible assets	13	-	-	-	13
Fixed assets	2 380	615	-	-	2 995
Profit and loss account	-178	123	-	-	-55
Receivables	8	-9	-	-	-1
Technical provisions insurance	220	16	-	-	236
Pensions	-550	3	60	-	-487
Securities and financial instruments (excl. cash flow hedges)	-27	105	-	-	78
Cash flow hedges	-117	-	33	-	-84
Other provisions	-76	-161	-	-	-237
Tax loss carried forward	-9	-299	-	-89	-397
Total	**1 664**	**393**	**93**	**-89**	**2 061**

A group contribution of NOK 89 million has been disbursed from Nydalen Bygg C AS to Statnett SF, reducing the tax loss carried forward in Statnett SF.

NOTE 12 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Statnett SF had the following investments at 31 December 2013:

Group

At 31 December 2013 *(Amount in NOK thousand)*	Type	Year of acquisition	Registered office	Ownership interest	Voting rights	Book value
Datterselskaper						
Statnett Transport AS	Subsidiary	1996	Oslo	100 %	100 %	108 021
Statnett Forsikring AS	Subsidiary	1998	Oslo	100 %	100 %	30 200
Nordlink AS	Subsidiary	2010	Oslo	100 %	100 %	500
Noreveien 26 AS	Subsidiary	2010	Oslo	100 %	100 %	114
NorGer AS	Subsidiary	2010/2011	Oslo	100 %	100 %	29 947
NorGer KS	Subsidiary	2010/2011	Oslo	100 %	100 %	143 897
Nydalshøyden Bygg C AS	Subsidiary	2013	Oslo	100 %	100 %	475 380
Total subsidiaries						**788 059**
Associates						
Nord Pool Spot AS	Associate	2002/2008	Bærum	28.2 %	28.2 %	**36 320**
eSett OY **	Associate	2013	Finland	33.3 %	33.3 %	**16 891**
Total associates						**53 211**
Total subsidiaries and associates						**841 270**

Group value of companies recorded according to the equity method

(Amounts in NOK million)

	Group value at 1 Jan.	Result for the year	Dividend	Group value at 31 Dec.
2013				
Nord Pool Spot AS, 28.2% *	54 097	13 308	-3 647	63 758
eSett OY **	-	-	-	16 891
Total associates	**54 097**	**13 308**	**-3 647**	**80 649**
2012				
Nord Pool Spot AS, 28.8 % *	53 667	15 430	-15 000	54 097
Total associates	**53 667**	**15 430**	**-15 000**	**54 097**

* *In connection with a private placement in Nord Pool Spot AS as at 31 August 2013, Statnett's ownership interest was reduced from 28.8% to 28.2%. The profit for the year includes the Group's gain due to the reduced ownership interest through a private placing.*

** *eSett OY was established in November 2013.*

Purchase of subsidiary

On 22 May 2013, Statnett SF purchased all shares in Nydalshøyden Bygg C AS that owned Nydalen Allé 33.

Nydalshøyden Bygg C AS owned Statnett's head office and has no other business activities. The acquisition is regarded as an asset purchase, and all identified excess value has been allocated to the building.

On the acquisition date, the following identifiable assets and liabilities were included in the consolidated accounts:

(Amounts in NOK million)

Items	Fair value on the acquisition date
Assets	
Tangible fixed assets	774
Trade accounts receivable and other short-term receivables	16
Liabilities	
Deferred tax	80
Long-term interest-bearing debt	191
Trade account payable and other short-term debt	28
Acquisiton amount	491

NOTE 13 RELATED PARTIES

As at 31 December 2013, 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	eSett OY
	Nydalshøyden Bygg C 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 percent of the shares in NorGer AS and 90 percent of the shares in NorGer KS. In addition, NorGer AS owns 10 percent of the shares in NorGer KS. This entails that Statnett SF, including indirect ownership, also controls 100 percent of the shares in NorGer KS.

Statnett SF has an ownership interest in Nord Pool Spot AS of 28.2 percent. The ownership interest was reduced from 28,8 percent following a private placement in August 2013. Statnett SF has an ownership in eSett OY of 33,3 percent, corporated in November 2013.

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 2013, Statnett SF received dividends totalling NOK 3,6 million from subsidiaries and associates. Statnett SF has purched Nydalen Allè 33 from Nydalshøyden Bygg C AS. The purchase price is valued by an external part.

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 signed in autumn 2012 a cooperation agreement with the German companies TenneT and KfW in order to realize an HVDC interconnector between Norway (Tonstad) and Germany (Wilster). The project's name is NordLink. NordLink has a transmission capacity of 1400 MW. The interconnector consists of 53 km overhead line on the Norwegian side, a 514 km submarine cable and a 55 km land cable on the German side. The ownership is shared, where Statnett owns the Northern part and TenneT and KfW owns the Southern part through a jointly owned German company. Costs and trading revenue are shared equally between Germany and Norway. In 2013, NordLink applied the Norwegian authorities for a trade license. The interconnector is planned to come into operation end of 2018.

National Grid NSN Link Ltd (NLL) and Statnett plan to realize an HVDC interconnector between Kvilldal in Norway and Blyth in North-East England, referred to as NSN. The transmission capacity will be 1400 MW. Each party will hold 50 % of the interconnector, with Statnett as the owner of the Eastern part and NLL the Western part. All costs and trading revenues shall be shared equally between the partners. NSN holds a technical license in Norway and a trade license in England. In 2013, NSN applied the Norwegian authorities for a trade license and the British authorities for the technical license. NSN is planned to come into operation in 2020.

Statnett SF inter-company accounts

(Amounts in NOK million)	Trade accounts		Lending		Borrowing		Trade acc. Payable	
	2013	2012	2013	2012	2013	2012	2013	2012
Subsidiaries	1	3	139	187	693	138	34	5

Interest rates

Interest rates on long-term borrowing and lending have been agreed at six months' NIBOR with a mark-up in the interval 0,7% - 1.75%

Statnett SF's intra-group trading

(Amounts in NOK million)	Sales revenues		Operating costs		Financial revenues	
	2013	2012	2013	2012	2013	2012
Subsidiaries	4	5	166	120	5	7

(Amounts in NOK million)	Purchase land and building	
	2013	2012
Subsidiaries	744	-

(Amounts in NOK million)	Financial costs		Dividend received	
	2013	2012	2013	2012
Subsidiaries	7	5	-	20

NOTE 14 REMUNERATION/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 saleries 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.

(Amounts in NOK)

Group management remuneration/benefits (Amounts in NOK)		Board remuneration 2013	Board remuneration 2012
Board of Directors			
Kolbjørn Almlid	Chair	377 520	363 000
Per Hjorth	Vice Chair	308 560	276 000
Thor Håkstad (until June 2012)	Vice Chair	-	126 300
Kirsten Indgjerd Værdal	Board member	210 720	198 000
Egil R Gjesteland (from June 2012)	Board member	260 720	96 500
Maria Sandsmark (from January 2013)	Board member	240 720	-
Synne Larsen Homble (from June 2013)	Board member	100 360	-
Kristin Lian (from June to December 2012)	Board member	-	127 567
Grethe Høiland (until June 2012)	Board member	-	118 300
Heidi Ekrem	Board member	102 860	198 000
Steinar Jøråndstad	Board member *)	240 720	233 000
Pål Erland Opgård	Board member *)	245 720	198 000
Kjerstin Bakke	Board member *)	200 720	193 000
Total remuneration		**2 288 620**	**2 127 667**

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.*

(Amounts in NOK)

Group management remuneration/ benefits 2013		Salary	Other remuneration	Pension cost	Total remuneration
Group management					
President and CEO					
Auke Lont		2 585 007	184 356	1 997 133	4 766 496
Executive Vice Presidents					
Gunnar G. Løvås	Strategy and Public Affairs	1 572 692	138 112	429 847	2 140 651
Håkon Borgen	Projects Division	1 803 668	151 034	459 021	2 413 723
Øivind Kristian Rue	Grid Operations Division	1 887 114	136 364	870 272	2 893 750
Bente Hagem	Commercial Development	1 622 279	140 995	791 922	2 555 196
Knut Hundhammer	Corporate Staff, CFO	2 048 414	164 181	617 616	2 830 211
Peer Olav Østli	ICT	1 568 342	155 009	638 826	2 362 177
Total remuneration		**13 087 516**	**1 070 051**	**5 804 637**	**19 962 204**

All figures are exclusive of employer's NICs.

(Amounts in NOK)

Remuneration/benefits to the Group management/board 2012		Salary	Other remune-ration	Pension cost	Total remune-ration
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.

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 percent 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 percent will be co-ordinated with the retirement pension disbursed from Statnett SF's Group Pension Fund and the Norwegian National Insurance Scheme. Upon death, any surviving spouse and children under the age of 21 will receive a pension. Should the President become disabled before the age of 65, he 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 percent 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 percent of the amount that exceeds the final salary. From the age of 65, the full annual retirement pension is 66 percent of the pension base, i.e. of the fixed, normal annual salary 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 percent 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 percent 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 percent of the part of the pension base that exceeds 12 times the basic amount, provided that there is a full contribution period (30 years). Upon death, any children under the age of 21 will receive a children's pension. If the 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 percent 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 percent of the difference between the ordinary salary and 12 times the Norwegian national insurance scheme basic amount to the pension fund scheme. For 2013, payments of NOK 306 480 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.

An interest-free salary loan has been made to the Executive Vice President Corporate Staff and CFO, with a remaining balance of NOK 112 502 as at 31 December 2013. The loan was offered as part of a general loan scheme available to all permanent employees in the company, where no special security is required. The loan is repaid through salary deductions over 12 months.

Except for the above, no loans have been made or security provided for members of the Group Management or Board of Directors.

NOTE 15 EVENTS AFTER THE BALANCE SHEET DATE

We are not aware of any events 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.

The contractor to one of Statnett's ICT projects has filed a claim for compensation grounded in increased expenses incurred due to circumstances which they believe Statnett is responsible for. Based on the documentation of the claim, Statnett has made no accounting provisions at this point.

NOTE 18 OTHER OPERATING COSTS

Parent company 2012	Parent company 2013	(Amounts in NOK million)	Group 2013	Group 2012
51	93	Lease rental payable	76	54
308	289	Contracted personnel/consultants	283	338
59	65	Insurance	84	78
261	254	Materials and subcontractors	267	269
141	153	Property tax	153	141
83	97	IT costs	97	83
242	245	Miscellaneous	161	213
1 145	**1 196**	**Total other operating costs**	**1 121**	**1 176**

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

Parent company 2012	Parent company 2013	(Amounts in NOK million)	Group 2013	Group 2012
28	70	Buildings	53	31
16	15	Contracted communication	15	16
7	8	Miscellaneous	8	7
51	**93**	**Total lease rental payable**	**76**	**54**

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.

Auditor's fee

Parent company 2012	Parent company 2013	(Amounts in NOK million)	Group 2013	Group 2012
709	808	Statutory audit	997	913
292	327	Other attestation services	327	333
147	104	Tax-related assistance	104	153
659	587	Other assistance	587	659
1 807	**1 826**	**Total fees (excl. VAT)**	**2 015**	**2 058**

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

(Amounts in NOK million)

Statnett Group	2013	2012	2011	2010	2019
Permitted revenue	5 361	4 025	4 296	4 803	3 722
Higher/lower revenue for the period	-958	1 065	1 020	2 177	-1 059
Other operating revenue	158	244	181	267	199
Total operating revenue	**4 561**	**5 334**	**5 497**	**7 247**	**2 862**
Operating costs	4 215	3 901	3 869	3 968	3 265
Operating profit/loss	**346**	**1 433**	**1 628**	**3 279**	**-403**
Income from joint ventures and associates	10	9	5	11	24
Net financial items	-267	-280	-276	-232	-289
Profit/loss before tax	**89**	**1 162**	**1 357**	**3 058**	**-668**
Profit/loss for the year	**82**	**837**	**1 000**	**2 198**	**-480**

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

(Amounts in NOK million)

Statnett Group	2013	2012	2011	2010	2019
Permitted revenue	5 361	4 025	4 296	4 803	3 722
Other operating revenue	158	244	181	267	199
Total operating revenue	**5 519**	**4 269**	**4 477**	**5 070**	**3 921**
Operating costs	4 215	3 901	3 869	3 968	3 265
Operating profit/loss excl. higher/lower revenue	**1 304**	**368**	**608**	**1 102**	**656**
Income from joint ventures and associates	10	9	5	11	24
Net financial items	-267	-280	-276	-232	-289
Profit/loss before tax excl. higher/lower revenue	**1 047**	**97**	**337**	**881**	**391**

From the balance sheet

(Amounts in NOK million)

Statnett Group	2013	2012	2011	2010	2009
Intangible assets	223	138	84	66	-
Fixed assets	28 734	23 378	21 057	19 413	17 858
Current assets	5 940	2 278	2 740	2 591	1 484
Total assets	**34 897**	**25 794**	**23 881**	**22 070**	**19 342**
Equity	12 135	8 852	7 722	7 628	5 618
Interest-bearing liabilities	19 909	14 390	13 276	11 757	12 340
Other liability items	2 853	2 552	2 883	2 685	1 384
Total equity and liabilities	**34 897**	**25 794**	**23 881**	**22 070**	**19 342**

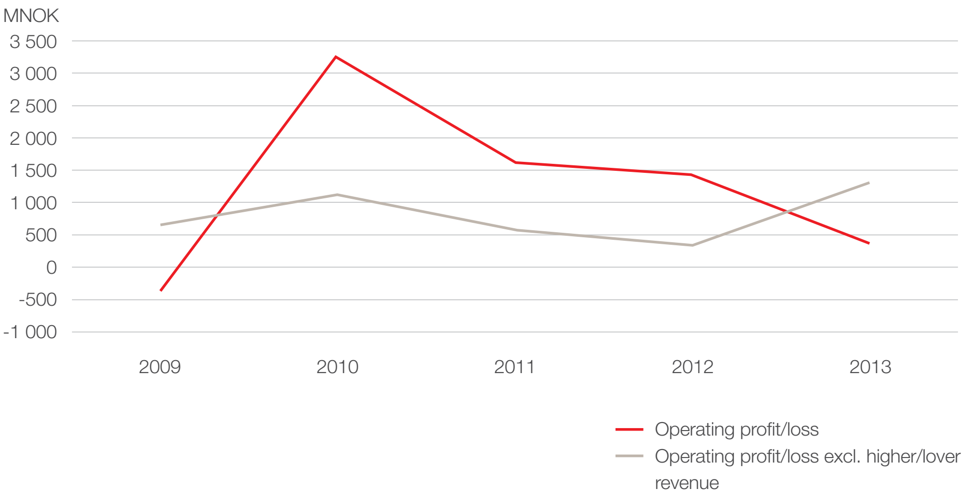
From cash flow

(Amounts in NOK million)

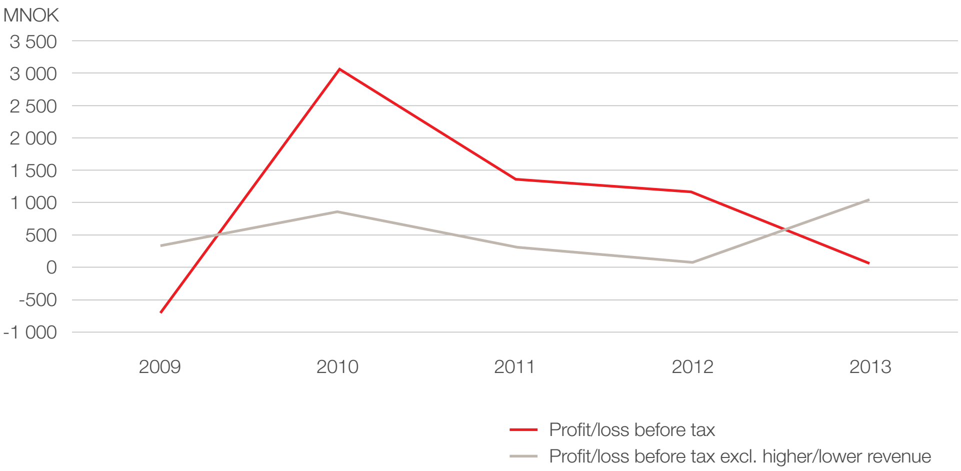
Statnett Group	2013	2012	2011	2010	2009
Net cash flow from operating activities	1 304	1 426	1 523	3 804	-466
Net cash flow from investing activities	-6 197	-3 085	-2 370	-1 740	-140
Net cash flow from financing activities	5 229	1 291	720	-1 277	388
Net cash flow for the period	**336**	**-368**	**-127**	**787**	**-218**
Liquid assets	970	634	1 002	1 129	342
Dividend for the year to owner	-	117	315	132	499

Statnett SF has implemented changes to IAS 19R, and the numers for 2012 and 2013 have be re-classifised with the effect of these changes.

Operating profit



Profit before tax



NOTE 20 DECIDED, NON-REGISTERED CONTRIBUTED CAPITAL

On 17 December 2013, Statnett held an extraordinary enterprise general meeting where it was decided to increase Statnett's equity by NOK 3 250 million, and the entity's articles of association were changed accordingly. The change of capital was registered in the Register of Business Enterprises on 18 January 2014.

NOTE 21 NEW AND AMENDED ACCOUNTING STANDARDS

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.

Adopted IFRS and IFRIC standards with future implementation dates

IAS 19 Employee Benefits
The amendment introduces the option to recognise contributions from employees or third parties as a reduction in pension cost in the same period in which they are payable if, and only if, they are linked solely to the employee's "services" rendered in that period.

IAS 27 Separate Financial Statements
As a consequence of the publication of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IASB has amended IAS 27. IAS 27 now only deals with accounting in the separate financial statement. The title of the standard was also changed in this connection. The amendments have been approved by the EU, with effect from the fiscal year starting on 1 January 2014 or later.

IAS 28 Investments in Associates and Joint Ventures

As a consequence of the new standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, the title of IAS 28 has been changed to Investments in Associates and Joint Ventures. IAS 28 now describes the use of the equity method for investments in joint ventures, in addition to associates. The amendments have been adopted by the EU, with effect from the fiscal year starting on 1 January 2014 or later.

IAS 32 Financial Instruments - presentation

IAS 32 has been amended to clarify the content of "currently has a legally enforceable right to set-off" and the use of IAS 32's set-off criteria for settlement systems such as clearing house systems which apply gross settlement systems that are not simultaneous. The amendments will be effective for fiscal years starting on 1 January 2014 or later.

IAS 36 – Impairment of Assets

The amendment addresses the disclosure of information about the recoverable amount of impaired assets, if this is based on fair value less costs of disposal. The amendment must be regarded in the context of IFRS 13 Fair Value Measurement. The amendments will be effective for fiscal years starting on 1 January 2014 or later.

IAS 39 Financial Instruments - Recognition and Measurement

IASB has adopted changes relating to amendments of the hedge accounting rules pursuant to IFRS. Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated to effect clearing with a central counterparty - CCP) as a consequence of existing or newly introduced laws or regulations, provided certain criteria are met. The amendments will be effective for fiscal years starting on 1 January 2014 or later.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portions of IAS 27 Consolidated and Separate Financial Statements that address consolidated financial statements, and SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 is based on a single control model that applies to all entities including special purpose entities (SPE). The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled by the parent company, where all enterprises that are to be controlled must be consolidated. The decisive factor in determining whether a company is to be included in the consolidated accounts under IFRS 10 is whether there is control. Control over another entity exists when the investor is exposed to, or has rights to, variable returns from his involvement with the entity, and the ability to use power to control the activities in the entity which, to a significant degree, affect the returns. Within the EU/EEA, IFRS 10 is effective for fiscal years starting on or after 1 January 2014.

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 enterprises with interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 replaces the disclosure requirements that were previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. A number of new disclosures are also required. In the EU/EEA area, IFRS 12 will apply for the fiscal year starting on 1 January 2014 or later.

Amendments not approved by the EU

IFRS 9 – Financial Instruments
IFRS 9 will replace IAS 39. IASB has divided the project into several phases. The relevant sections of IAS 39 will be deleted as the individual phases of IFRS 9 are completed. 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.

IFRIC 21 - Levies
IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The standard stipulates criteria for when an entity should recognise a liability. One such criterion is that the entity has a present obligation as a result of a past event, also known as an obligating event. The interpretation clarifies that the obligating event that gives rise to a liability to pay government levies is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation also includes guidance illustrating how it should be applied.

IASB 2010 - 2012 annual improvement project
The IASB's annual improvement project for 2010 – 2012 contains amendments to several standards:

IFRS 3 – Business Combinations
Contingent consideration in a business combination that is not classified as equity must subsequently be measured at fair value through profit or loss regardless of whether or not it is within the scope of IFRS 9 "Financial instruments".

IFRS 13 Fair Value Measurement
IASB clarifies that non-interest-bearing short-term receivables and payables can be measured at invoice amount if the impact of discounting is not material.

IAS 24 – Related Party Disclosures
The amendment clarifies that a management entity that supplies key personnel to the management is a related party covered by the information requirements relating to related parties. In addition, an entity that makes use of such services must disclose any costs accrued for management services. The amendments have not yet been approved by the EU.

2011-2013 annual improvement project
The IASB's annual improvement project for 2011 – 2013 contains amendments to several standards:

IFRS 3 – Business Combinations

The amendment clarifies that:

- Joint arrangements are outside the scope of IFRS 3, not just joint ventures
- The scope exception only applies to the financial statements of the joint venture or the joint operation.

IFRS 13 Fair Value Measurement

The amendment clarifies that the portfolio exception in IFRS 13.52 applies to financial assets, financial liabilities and other contracts.

Auditors report

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 29 01
www.ey.no
Medlemmer av den norske revisorforening

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 2013, 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 President and CEO's responsibility for the financial statements

The Board of Directors and President and CEO 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 President and CEO 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 at 31 December 2013 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 on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility 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 President and CEO 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, 27 March 2014
ERNST & YOUNG AS

Tommy Romskaug
State Authorised Public Accountant (Norway)

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

Statnett SF
Nydalen Allé 33, 0484 Oslo
PB 4904 Nydalen, 0423 Oslo
Telefon: 23 90 30 00
Fax: 23 90 30 01
firmapost@statnett.no