

Q1



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In short

Highlights

The Statnett Group's underlying profit after tax amounted to NOK 289 million in the first quarter of 2015 (NOK 354 million in the first quarter of 2014). The reduction was due to reduced growth in permitted revenue as a result of a lower interest rate level, combined with somewhat higher costs due to a higher activity level.

The underlying profit or loss is based on the regulated permitted revenue, whereas the recorded profit or loss will depend on stipulated tariffs and congestion revenues. The difference, caused by higher or lower revenue, will level out over time through adjustment of tariffs, ensuring that Statnett's revenues correspond with the regulated permitted revenue over time.

The Group reported a profit after tax of NOK 197 million in the first quarter of 2015 (NOK 171 million). In the first quarter of 2015, Statnett's higher revenue balance was reduced by NOK 126 million, including interest.

Important events

- As of 1 January 2015, some of the Lofotringen power supply lines became part of the main grid and Statnett assumed operating responsibility. This includes the power line from Hinnøy to Sortland and Melbu in Vesterålen and onwards to Kvittfossen in Lofoten.
- In the Ørskog-Sogndal project, the Sykkylven-Ørsta subsection entered operation in January. The construction work in Myklebustdalen was resumed in January when Statnett regained access to the properties, with the exception of Sjørdalen. In April, Fjordane District Court decided to uphold the decision to deny Statnett access to Sjørdalen nature reserve. Statnett's need to access the properties is currently being considered by the Norwegian courts of law.
- The Norwegian Water Resources and Energy Directorate (NVE) has granted Statnett a construction licence for replacing the existing 300 kV Trollheim-Viklandet power line with a new 420 kV line. The upgrade is necessary to connect new wind power production in the Snillfjord area. It will strengthen security of supply and improve transmission capacity through Central Norway.
- On 29 January, storms caused a fault in Statnett's facility and power outages in the area north of Ofoten to Finnmark. The power was reconnected after about an hour, with the exception of Finnfjord and the area around Tromsø city. Normal grid operations resumed after about four hours.
- In February, Statnett, TenneT and KfW made a final investment decision for the international interconnector between Norway and Germany (NordLink). The interconnector will have a capacity of 1 400 MW and will run between Tonstad in Norway and Wilster in Schleswig-Holstein in Germany. The interconnector is scheduled to be completed by the end of 2019.
- In March, Statnett and National Grid made a final investment decision for the interconnector between Norway and the UK (NSN Link). The interconnector will have a capacity of 1 400 MW and will run between Suldal in Norway and Blythe in the UK. The interconnector is scheduled to be completed by the end of 2021.
- In April, Statnett's 2015 Grid Development Plan was submitted for hearing. Statnett is planning to invest NOK 50-70 billion over the next decade. The historically high investment level is triggered by society's need for a stronger grid, which will secure a reliable power supply, facilitate renewable energy projects and industrial and commercial development throughout the country.
- In April, Statnett received a final licence from the Ministry of Petroleum and Energy for construction of a 420 kV power line from Balsfjord to Skaidi.
- In May, Statnett received a final licence from the Ministry of Petroleum and Energy for renewal of the interconnectors between Vestby and Hurum in the Inner Oslofjord.
- The Norwegian Water Resources and Energy Directorate (NVE) has postponed the launch date for Elhub until 20 February 2017. This will ensure better quality-assurance of the new market functions that will be introduced.

Director's report

Security of supply

The power situation was good in the first quarter of 2015. The period was mild and wet. The average temperature was about 3.5 degrees higher than normal and precipitation levels 10 TWh above normal levels.

At the beginning of the first quarter, reservoir water levels were 68.8 per cent, 1.6 percentage points below the median (from the 1990-2014 measuring period). Reservoir water level developments were normal throughout the period and at the end of the quarter, reservoir water levels were at 37.8 per cent, 1.3 percentage points below the median. Snow reservoir levels were about normal at the end of the quarter.

The hydrological balance improved by approximately 8 TWh throughout the period, resulting in a surplus of approximately 5 TWh at the end of the first quarter of 2015.

Total power generation and consumption was 41 TWh and 38 TWh, respectively, in the first quarter of 2015. This resulted in net export of 3 TWh, compared with 1 TWh in the corresponding period in 2014. During the quarter, both export and production records were set in Norway: On 7 January 5 387 Mwh/h was exported, and on 23 January production reached 26 634 Mwh/h.

As of 9 January distribution of capacity between NO2-NO1 and NO5-NO1 is handled by the energy exchange as part of the market clearing. This ensures more efficient socio-economic use of the available capacity. Before, Statnett distributed the capacity between the areas based on forecasts of where the flow will be highest.

In connection with the solar eclipse on 20 March, capacity in and out of the Nordic synchronous system was reduced to limit the impact of any serious incidents on the Continent, which has a large share of solar power. The solar eclipse did not cause any operational disruptions on the Continent.

Major faults and operational disruptions in the first quarter of 2015 were:

- On 10 January, the storm Nina caused several power line outages in the main grid. Most of the power lines could be reconnected after a short time. None of the main grid outages affected ordinary consumption. However, several thousand consumers were without electricity as a result of faults in the subsidiary grid.
- An outage on the Fortun-Leirdøla power line on 12 January resulted in separate operation in the area of

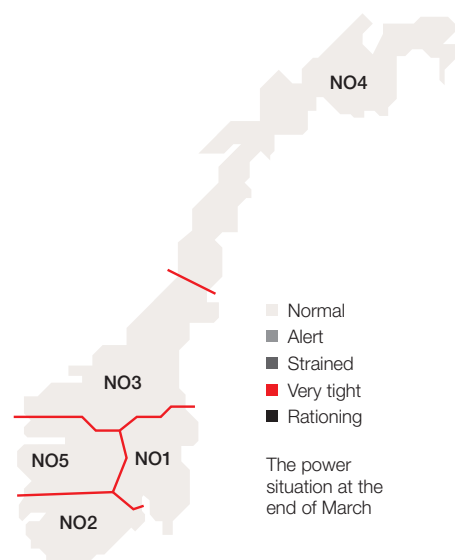
Indre Sogn. Prior to the outage, there was a shortfall of about 50 MW in the area. Low frequency in the separate area caused load shedding of about 120 MW at Hydro Årdal. The power line was reconnected on 15 January.

- On 29 January, storms caused a fault in Statnett's facility and power outages in the area north of Ofoten to Finnmark. The power was reconnected after about an hour, with the exception of Finnfjord and the area around Tromsø city. Normal grid operations resumed after about four hours.
- The storm Ole hit Central and Northern Norway on 7 February and caused several outages in the 420 kV and 132 kV grids. Lofoten was affected by a power outage, primarily as a result of faults in the subsidiary grid. The power was not restored to some customers until 9 February.
- On 10 February, a pylon broke down on the 132 kV Skjomen-Ballangen section due to an avalanche and resulted in strained operation in the area. The line was repaired and resumed operation on 24 February.

Incident after 31 March 2015:

- On 8 April, a fire broke out in the Hasle substation in Østfold County. No one was injured in the fire, and the power supply to consumers in the area was normal. The transmission capacity to Sweden was strongly reduced due to a risk of disconnection of the substation.

The Power Situation Q1 2015

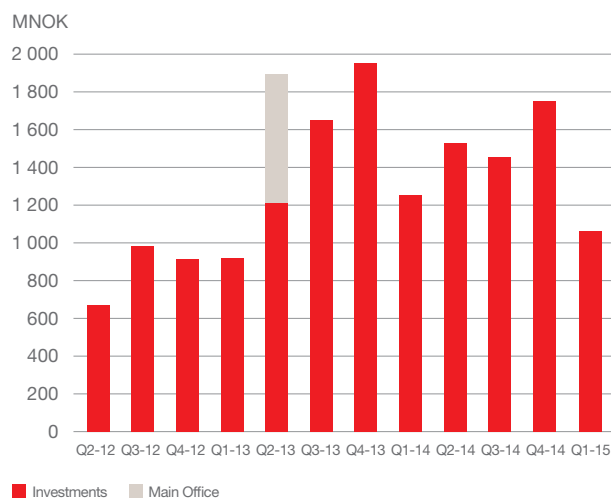


Investments

Statnett is planning and implementing major development projects. In April 2015, Statnett's 2015 Grid Development Plan was submitted for consultation. Statnett is planning to invest NOK 50-70 billion over the next decade.

In the first quarter of 2015, Statnett invested a total of NOK 1 079 million (NOK 1 294 million in 2014), including commissioned projects, projects under construction, ICT projects and other investments. Planned investments for 2015 total approximately NOK 7 billion.

Investments Statnett Group



■ Investments ■ Main Office

The investment level in the first quarter of 2015 reflects a redirection of resources towards cable projects where investments will be made later in the year.

Overview of major investment projects

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

Project	Location	Expected investments
COMPLETED PROJECTS		
Station investments (spare transformers, Frogner, Mestervik and other)		
UNDER IMPLEMENTATION		
Ørskog - Sogndal, new 420 kV power line	Møre og Romsdal/Sogn og Fjordane	MNOK 4 600 - 5 600
Ofoten - Balsfjord, new 420 kV power line	Nordland/Troms	MNOK 3 200 - 3 700
Station investments (transformer capacity Eastern Norway, reactors for power reduction)		MNOK 2 000 - 2 400
Voltage upgrade Middle Norway, subsection Nedre Røssåga - Namsos	Nordland/Trøndelag	MNOK 800 - 1 000
Voltage upgrade Central Norway, subsection Klæbu - Namsos	Trøndelag	MNOK 700 - 800
INTERCONNECTORS, UNDER IMPLEMENTATION		
Cable to England (NSN Link)		MEUR 750 - 1 000 ²
Cable to Germany (NordLink)		MEUR 750 - 1 000 ²
FINAL LICENCE GRANTED		
Western Corridor, voltage upgrade ¹	Vest-Agder/Rogaland	MNOK 8 000 - 10 000
Namsos - Storheia, new 420 kV power line	Trøndelag	MNOK 1 800 - 2 400
Snillfjord - Trollheim, new 420 kV power line	Trøndelag/Møre og Romsdal	MNOK 1 600 - 2 300
Station investments (Vemorktoppen, Mauranger, Kobbelv and other)		MNOK 1 250 - 1 750
Inner Oslofjord, reinvestments interconnectors	Akershus/Buskerud	MNOK 1 050 - 1 200
PLANNED INVESTMENTS, LICENCES PENDING OR APPEALED		
Balsfjord-Skaidi (-Hammerfest), new 420 kV power line	Troms/Finnmark	MNOK 4 000 - 6 000
Lyse - Stølaheia	Rogaland	MNOK 2 500 - 3 500
Station investments (Smestad, transformers Western Norway and other)		MNOK 1 600 - 2 100
Voltage upgrade Aurland - Sogndal	Sogn og Fjordane	MNOK 500 - 900
Voltage upgrade Central Norway, subsection Aura/Viklandet - Trollheim	Møre og Romsdal	MNOK 500 - 700
ICT projects		
Renewal of Statnett's central operations system		MNOK 500 - 600
Elhub		MNOK 400 - 600

¹ Parts of the project are under planning and going through licensing procedure

² Statnett's share. Exposure mainly in Euro. With an exchange rate of 8.8 EUR/NOK this corresponds to a span of 7-9 billion NOK per project. Agreements with partners in Germany and England will be in Euro.

The amounts in the table show the anticipated range including all project costs. Projects under construction are shown in current rates, other projects in 2015 rates.

Important project events in the first quarter of 2015

- Phase advancer Fedra: The project is finalised and was handed over to Operations in March.
- Ørskog - Sogndal: The subsection from Sykkylven to Ørsta substation was commissioned in January. Due to lack of access to the properties in Sjørdalen nature reserve, Statnett is replanning the remaining work on the subsections.
- Western Corridor: In April, a licence application for Fjotland substation was submitted to the Norwegian Water Resources and Energy Directorate (NVE).
- Namsos-Nedre Røssåga: In March, a decision was made to start voltage upgrades on the power line.
- UK interconnector (NSN Link): On 26 March, Statnett's Board of Directors made a start-up decision and a joint operation agreement was signed on the same day.
- International interconnector Germany (NordLink): Statnett's Board of Directors made a start-up decision in January. A joint operation agreement was signed on 10 February and Statnett has entered into agreements with cable and converter suppliers.
- Balsfjord – Hammerfest: Statnett received a final licence from the Ministry of Petroleum and Energy for Balsfjord-Skaidi. Additional applications for Skibotndalen and for a new solution in Skaidi have been submitted to the NVE. Meetings with property owners have been held in all municipalities from Balsfjord to Skaidi. Statnett has approved the technology qualification of two prefabricated earth foundation types, and the solution is released for use in the project.
- Trollheim-Viklandet: In April 2015, the NVE granted Statnett a construction licence for upgrading the voltage on the section to 420 kV.
- Inner Oslofjord: In May, Statnett received a final licence from the Ministry of Petroleum and Energy for renewal of the interconnectors between Vestby and Hurum.

Financial performance

Operating revenues

The Group's operating revenues in the first quarter of 2015 totalled NOK 1 509 million (NOK 1 324 million in the first quarter of 2014). Operating revenues from regulated operations totalled NOK 1 461 million (NOK 1 291 million), while other operating revenues amounted to NOK 48 million (NOK 33 million).

The increase in operating revenues from regulated operations was mainly due to higher fixed tariff revenues as a consequence of increased tariff rates for consumption. Tariff revenues from energy components have increased as a result of higher actual grid loss. Congestion revenues have increased due to increased

capacity from the new interconnector to Denmark (Skagerrak 4) and due to higher price differences in the Nordic countries and in relation to the Netherlands. The increase was somewhat offset by lower price differences in Norway.

Statnett's operating revenues mainly derive from grid operations, including system operations, regulated by the NVE, which stipulates a cap (permitted revenue) for Statnett's regulated revenues. Permitted revenue increased from NOK 1 552 million in the first quarter of 2014 to 1 594 million in the first quarter of 2015, mainly due to an increased asset base in the company, somewhat offset by lower interest rates as a basis for return on invested grid capital. Operating revenue from regulated activities in Statnett consists primarily of fixed grid tariffs from the customers and congestion revenues (price differences between areas in the Nordic region and in relation to the Netherlands). If the total income from grid operations for one year diverge from the permitted revenue, so-called higher or lower revenue will occur. Higher/lower revenue will level out over time through adjustment of future grid tariffs. In the first quarter of 2015, Statnett's lower revenue amounted to NOK 133 million (NOK 261 million). Accumulated higher revenue including interest was NOK 1 664 million at the end of the first quarter of 2015.

Operating costs

The Group's operating costs totalled NOK 1 162 million in the first quarter of 2015 (NOK 1 031 million). The increase was mainly due to higher depreciation and impairment, as well as higher wage and staff costs as a result of growth in the enterprise. System services costs were reduced, not least due to efficiency improvement measures in Statnett.

System services costs amounted to NOK 137 million in the first quarter of 2015, down NOK 16 million compared with the corresponding period in 2014. The reduction was partly due to termination of the agreement to purchase transmission services from the Swedish grid company Svenska Kraftnät. Primary reserves costs were lower as a result of lower prices. Special adjustment costs were higher in the first quarter of 2015 than in the first quarter of 2014, primarily due to risk-reducing measures and operational disruptions in connection with stormy weather.

Transmission loss totalled NOK 182 million in the first quarter of 2015 (NOK 171 million). The increase was due to higher loss volume, somewhat offset by lower prices.

Wage and staff costs in the first quarter of 2015 totalled NOK 224 million (NOK 185 million). The increase was triggered by a higher activity level and an increase in staff, increased costs due to a change in the differentiated employer's contribution scheme and higher pension costs as a result of a lower interest rate level.

Depreciation and impairment amounted to NOK 360 million in the first quarter of 2015 (NOK 260 million). The increase was due to an increased asset base and increased removal obligations.

Other operating costs totalled NOK 259 million in the first quarter of 2015 (NOK 262 million), on a par with the corresponding period in 2014, despite growth in the enterprise. Costs associated with equipment/materials and consultancy services were reduced, not least due to Statnett's efficiency improvement programme. This was partly offset by an increase in insurance costs as well as increased property tax, mainly explained by the amended accounting principle pursuant to IFRS (IFRIC 21).

Operating profit

The Group's operating profit in the first quarter of 2015 was NOK 347 million (NOK 293 million).

Financial items

Net financial items amounted to a loss of NOK 84 million in the first quarter of 2015 (loss of NOK 62 million).

Net profit

The Group's profit after tax in the first quarter of 2015 was NOK 197 million (NOK 171 million). The underlying profit after tax, corrected for changes in the higher revenue balance, amounted to NOK 289 million in the first quarter of 2015 (NOK 354 million).

Cash flow and balance sheet

The Group's operating activities generated a cash flow of NOK 238 million in the first quarter of 2015, compared with NOK 474 million in the corresponding period in 2014. Cash flow from investment activities totalled NOK -1 082, compared with NOK -1 294 million in the first quarter of 2014. No new loans were raised in the first quarter of 2015, and no loans were redeemed. At the end of the first quarter of 2015, the Group's liquid assets and market-based securities amounted to NOK 4 070 million (NOK 2 867 million). The increase was primarily due to changes relating to security under CSA (Credit Support Annex).

At the end of the first quarter of 2015, the Group had

total assets of NOK 42 682 million (NOK 34 086 million), and interest-bearing debt amounted to NOK 26 270 million (NOK 18 810 million). Interest-bearing debt includes security under CSA (Credit Support Annex) of NOK 2 401 million (NOK 196 million). The market value of recognised interest swap and currency swap agreements (fair value hedges) related to interest-bearing debt was NOK 4 265 million. Interest-bearing debt, corrected for this, totalled NOK 22 005 million.

Subsidiaries and associated companies

Statnett SF wholly owns Statnett Transport AS. In the first quarter of 2015, operating revenues for Statnett Transport amounted to NOK 32 million (NOK 30 million) and the profit before tax was NOK 7 million (NOK 3 million).

Statnett SF owns 50 per cent of the shares in Lyse Sentralnett and has control of the company, which has been consolidated in the Statnett Group accounts. Operating revenues for Lyse Sentralnett AS amounted to NOK 14 million in the first quarter of 2015 (NOK 6 million during the first quarter of the 2014 ownership period), and the result before tax was NOK 0 million (NOK 1 million).

Statnett SF has an ownership interest of 28.2 per cent in Nord Pool Spot AS. Statnett's share of the result in Nord Pool Spot AS contributed NOK 3 million (NOK 2 million) to the Statnett Group's profit in the first quarter of 2015.

Corporate social responsibility

Corporate social responsibility (CSR) in Statnett entails integration of social and environmental considerations in the company's social mission in a way that extends beyond the minimum requirements stipulated in laws and regulations.

The work on corporate social responsibility is naturally linked to our development of the next generation power system and the enterprise's mission. Statnett shall use the activities, expertise and resource base in the company to perform its social mission in such a way that it has positive ripple effects for society.

Statnett reports annually on CSR in accordance with the globally recognised reporting framework, Global Reporting Initiative (GRI). Statnett's GRI reporting complies with the requirements relating to CSR reporting stipulated in the Norwegian Accounting Act. Please see Statnett's 2014 annual report for more information about CSR.

Health, Safety and Environment (HSE)

Statnett reported nine lost-time injuries; five for company employees and four for contractors/suppliers. Six lost-time injuries were reported in the corresponding period in 2014. Three of the nine incidents in the first quarter of 2015 caused serious personal injury, the others caused only minor injuries.

Over the last few years, the enterprise has improved its HSE performance and works systematically towards the objective of becoming the leading transmission system operator in Europe by the end of 2017. The objective has been specified to an Lost Time Injury Frequency Rate (LTIFR) of 2.0 and Total Recordable Incidents (TRI) of 3.9. As of the first quarter of 2015, Statnett's LTIFR was 5.3 and the TRI 9.4 (including contractors/suppliers). This is a slight increase from year-end 2014 (LTIFR of 4.4 and TRI of 7.6).

The Group's overall absence due to illness was 3.2 per cent in the first quarter of 2015, compared with 3.1 per cent in the corresponding period in 2014. Overall absence due to illness for Statnett was 3.1 per cent in 2014.

Risk

Statnett's risk management focuses on risk with potential consequences for HSE, security of supply, finance and reputation.

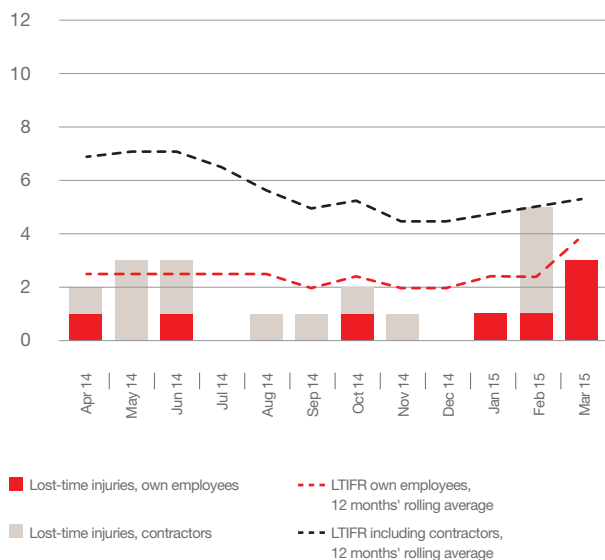
Statnett is exposed to HSE risks mainly in connection with implementation of development projects as well as operation and maintenance of existing facilities. Statnett has recently made an investment decision for two new international interconnectors, one to Germany and one to the UK. This entails project portfolio risk associated with HSE, finance and reputation.

Statnett's HSE risk assessment forms the basis of systematic improvement work within HSE.

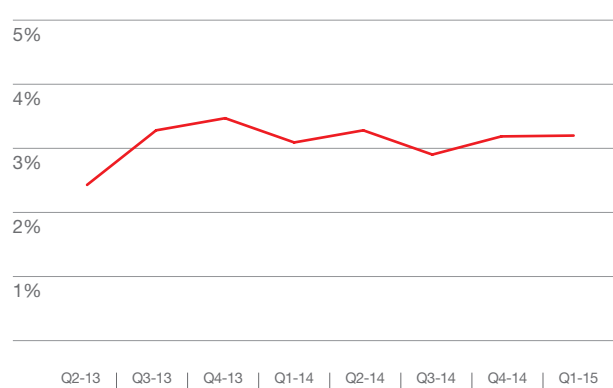
The energy situation is normal in all areas and there is little risk of a strained power situation nationally and regionally in the present season. The risk of very strained power situations (SAKS) has been reduced in the medium term. Consequently, the use of SAKS measures will be discontinued after completion of the new power line between Ørskog and Sogndal. Security of supply is below the desired level and N-0 operation is necessary in some areas. However, there has been no recent significant changes in the risk.

There is currently perceived to be an increasing threat against critical ICT infrastructure. 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. Statnett cooperates with other

Lost Time Injury Frequency Rate (LTIFR) and lost-time injuries



Absence due to illness



stakeholders in the power industry to strengthen protection against cyber-attacks through a joint company – KraftCERT.

The enterprise has a credit facility totalling NOK 6 500 million to be able to fund at least 12 months' revolving operation and investments without incurring any new debt. Statnett has long-term credit ratings of A+ and A2 from Standard & Poor's and Moody's Investor Service, respectively.

Outlook

Statnett is planning to invest NOK 50-70 billion over the next decade. Norwegian society's need for a stronger grid which will ensure a reliable power supply, facilitate projects in renewable energy and industrial and commercial development throughout the country, means Statnett is in a period with historically high investment levels. After 2020, a lower investment level is expected, however new grid needs may emerge in the longer term.

Together with its German and British partners, Statnett has made a final investment decision for the interconnectors to Germany and the UK. Both projects are important for the development and integration of the Northern European power system. The projects will help ensure security of supply in Norway, Germany and the UK, and balance variations in German and British renewable power production throughout the day. Power exchange capacity enhances value creation in Norway. Moreover, the projects will support the ambitions to increase generation of renewable energy throughout the region and help meet the EU's climate and energy targets.

The Ministry of Petroleum and Energy (MPE) has submitted proposed 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 assumes ownership of the remaining 15 per cent of the main grid. This will lead to an increased need for investments and staff in Statnett, but will also allow for an overall more efficient organisation of main grid operations and development in the long term.

Emergency preparedness will also be important in the years to come. The grid development measures with the highest priority have a clearly positive effect on security of supply. However, the large project scope also entails major additional strain on a generally highly utilised and ageing power grid. ICT security is in focus, and together with other key power industry players, Statnett established the company KraftCERT in 2014 to further strengthen efforts in this area.

Statnett is involved in cooperation both at a European and Nordic level. This work is important, as key framework conditions stipulated by the EU also 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 and Nordic power systems differ from the European system, it is important that the framework conditions are formulated to safeguard Norwegian and Nordic security of supply and ensure value creation from Norwegian hydropower.

Major investments will be made in the main grid over an extended period, and all customers must contribute towards the financing. Statnett's work is based on a socio-economic model, and must ensure transparent and grid-based tariffs for all customer groups.

Statnett is focusing on maintaining its position as one of the most cost-efficient TSOs in Europe. In 2013, the enterprise established an objective to increase efficiency by 15 per cent by the end of 2018, based on the 2013 budget. Statnett's objectives for 2014 were achieved. Statnett will continue to step up its improvement work in 2015 and the objective is to realise the potential for economies of scale inherent in the combination of existing facilities, new commissioned facilities and acquisition of the remaining part of the main grid as a consequence of the EU's third energy market package.

Oslo, 21 May 2015

The Board of Directors, Statnett SF

Statement of comprehensive income

Statnett Group

<i>(Amounts in NOK million)</i>	Note	First quarter		Year
		2015	2014	2014
OPERATING REVENUE				
Operating revenue regulated operations	2	1 461	1 291	5 389
Other operating revenue		48	33	174
Total operating revenue		1 509	1 324	5 563
OPERATING COSTS				
System services		137	153	609
Transmission losses		182	171	586
Salaries and personnel costs		224	185	715
Depreciation, amortisation and impairment		360	260	1 150
Other operating costs		259	262	1 125
Total operating costs		1 162	1 031	4 185
Operating profit		347	293	1 378
Income from associate		3	2	11
Financial income		164	20	202
Financial costs		248	82	471
Profit before tax		266	233	1 120
Tax		69	62	291
Profit for the period		197	171	829
OTHER COMPREHENSIVE INCOME				
Changes in fair value, held-for-sale investments		-	-	2
Changes in fair value for cash flow hedges		12	-21	-158
Tax effect		-3	6	43
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		9	-15	-113
Changes in estimate deviations of pension liabilities		-	-	-407
Tax effect		-	-	110
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>		-	-	-297
Total other comprehensive income		9	-15	-410
Total comprehensive income		206	156	419

Balance sheet

Statnett Group

(Amounts in NOK million)

	Note	31.03.15	31.03.14	31.12.15
ASSETS				
FIXED ASSETS				
Goodwill		53	53	53
Other intangible fixed assets		213	164	227
Tangible fixed assets		27 454	21 412	27 515
Plant under construction	4	6 031	7 278	5 047
Investment in associates		92	82	89
Other financial fixed assets	3	4 401	1 206	3 340
Total fixed assets		38 244	30 195	36 271
CURRENT ASSETS				
Trade accounts receivable and other short-term receivables	3	368	1 024	472
Market-based securities	3	820	649	1 345
Liquid assets	3	3 250	2 218	3 019
Total current assets		4 438	3 891	4 836
Total assets		42 682	34 086	41 107
EQUITY AND LIABILITIES				
EQUITY				
Contributed capital		5 950	5 950	5 950
Other equity accrued		6 807	6 341	6 601
Non-controlling interest		78	75	78
Total equity		12 835	12 366	12 629
LONG-TERM LIABILITIES				
Deferred tax		734	610	682
Pension liabilities		701	329	869
Other liabilities		631	292	485
Long-term interest-bearing debt	3	23 191	17 523	22 138
Total long-term liabilities		25 257	18 754	24 174
CURRENT LIABILITIES				
Short-term interest-bearing debt	3	3 079	1 287	2 505
Trade account payable and other short-term debt	3	1 455	1 677	1 763
Tax payable		56	2	36
Total current liabilities		4 590	2 966	4 304
Total equity and liabilities		42 682	34 086	41 107

Statement of changes in equity

Statnett Group

<i>(Amounts in NOK million)</i>	Total equity	Non- controlling interest	Total equity allocated to owner of Statnett SF	Other equity accrued	Other items	Decided, non- registered contributed capital	Contributed capital
Equity as at 1.1.2014	12 135	-	12 135	6 198	-13	3 250	2 700
Profit/loss for the year	829	3	826	826	-	-	-
Other comprehensive income	-410	-	-410	-	-410	-	-
Dividends declared	-	-	-	-	-	-3 250	3 250
Decided, non-registered contributed capital	75	75	-	-	-	-	-
Equity as at 31.12.2014	12 629	78	12 551	7 024	-423	-	5 950
Equity as at 1.1.2014	12 135	-	12 135	6 198	-13	3 250	2 700
Profit/loss for the year	171	-	171	171	-	-	-
Other comprehensive income	-15	-	-15	-	-15	-	-
Paid contributed capital	-	-	-	-	-	-3 250	3 250
Acquisition subsidiary	75	75	-	-	-	-	-
Equity as at 31.3.2014	12 366	75	12 291	6 369	-28	-	5 950
Equity as at 1.1.2015	12 629	78	12 551	7 024	-423	-	5 950
Profit/loss for the year	197	-	197	197	-	-	-
Other comprehensive income	9	-	9	-	9	-	-
Equity as at 31.3.2015	12 835	78	12 757	7 221	-414	-	5 950

Cash flow statement

Statnett Group

<i>(Amounts in NOK million)</i>	First quarter		Year
	2015	2014	2014
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax	266	233	1 120
Loss/gain(-) on sale of fixed assets	-	-2	-59
Depreciation and write-downs	360	260	1 150
Interest recognised in the income statement	85	63	270
Interest received	14	17	55
Interest paid, excl. construction interest	-110	-87	-301
Changes in trade accounts receivable/payable	-279	191	273
Changes in other accruals	-95	-199	531
Result from companies using equity method	-3	-2	-11
Net cash flow from operating activities	238	474	3 028
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible fixed assets	4	2	58
Purchase of tangible fixed assets, other intangible fixed assets and plants under construction	-1 056	-1 218	-5 809
Construction interest paid	-30	-38	-196
Purchase of subsidiary, net of cash acquired	-	-40	-40
Change in long term loan receivables	-	-	-14
Dividend received	-	-	4
Net cash flow from investing activities	-1 082	-1 294	-5 997
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new interest-bearing borrowings	-	-	3 048
Repayment of interest-bearing debt	-	-1 200	-2 287
Changes in collateral under CSA (Credit Support Annex) agreements	541	24	1 687
Proceeds from sale of market-based securities	717	293	476
Purchase of market-based securities	-183	-299	-1 156
Proceeds from new equity	-	3 250	3 250
Net cash-flow from financing activities	1 075	2 068	5 018
Net cash flow for the period	231	1 248	2 049
Cash and cash equivalents at the start of the period	3 019	970	970
Cash and cash equivalents at the close of the period	3 250	2 218	3 019

Restricted bank deposit amounting to NOK 92 million is included in cash and cash equivalents as at 31 March, 2015. Unused credit facilities of NOK 6 500 million are not included in cash and cash equivalents.

Notes

Note 1 - Accounting policies

The interim report has been submitted in accordance with International Standards for Financial Reporting (IFRS) and interpretations stipulated by the International Accounting Standards Board (IASB) including IAS 34. The interim accounts do not contain all the additional information required in the annual accounts, and should therefore be read in the context of the 2014 annual accounts.

The accounting principles applied for the interim accounts are consistent with the accounting principles that were applied for the 2014 annual accounts with the following exceptions:

As of 1 January, 2015 the Group implemented IFRIC 21 which is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Interpretation includes guidance illustrating how the Interpretation should be applied. The obligating event will occur when the municipality issues the property tax to the Group entity. This implies that the Group recognizes the property tax when the invoice for the next term is received from the municipalities.

Note 2 – Operating revenues regulated operations

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

Tariff revenues increased from NOK 1 216 million in the first quarter of 2014 to NOK 1 303 million in the same period in 2015. Congestion revenues increased from NOK 161 million in the first quarter of 2014 to NOK 201 million in the same period in 2015.

As of the first quarter of 2015, lower revenue for the period amounted to NOK 133 million compared with NOK 261 million in the corresponding period in 2014. Accumulated higher revenue including interest and compensation amounted to NOK 1 664 million at the end of the first quarter of 2015.

STATNETT GROUP <i>(Amounts in NOK million)</i>	Year to date		Year
	2015	2014	2014
Tariff revenues	1 303	1 216	4 741
Congestion revenues	201	161	807
Income from other owners in shared grids	-43	-86	-160
Total operating revenues regulated activities	1 461	1 291	5 389
Total permitted revenue	1 594	1 552	6 054
This year's higher/lower (-/+) revenue, excl. interest	133	261	665
This year's provision for interest higher/lower (-/+) revenue	-7	-11	-42
Higher/lower (-/+) revenue decision	-	-	-
Changed balance for higher/lower (-/+) revenue	126	250	623
Balance higher/lower (-/+) revenue, incl. interest as at 1 Jan.	-1 790	-2 413	-2 413
Changed balance for higher/lower (-/+) revenue, incl. interest	126	250	623
Balance higher/lower (-/+) revenue, incl. interest year to date	-1 664	-2 163	-1 790

Impact of grid outages on profit

As the transmission system operator, Statnett is in dialogue with the NVE regarding how outages in Nyhamna in the event of system protection activation in the period leading up to 2012 should be handled with respect to the KILE scheme and system operation costs. The financial consequences for Statnett of such grid interruptions/outages have therefore not been clarified. For outages on the Viklandet–Fræna power line after 2012, a provision has been made in the accounts following the same principle as for previous incidents.

Note 3 – Overview of financial instruments

This note gives an overview of book value and fair value of financial instruments, including accounting treatment. The table also shows at which level in the valuation hierarchy the different measurement methods for the Groups financial instruments measured at fair value is classified, compared to how objective the measurement method is.

As at 31 March 2015

Group (Amounts in NOK million)	Category	Measurement level	Book value	Fair value
Assets				
Fixed assets				
Long-term receivables	Loans and receivables		46	46
Subord. capital in Statnett SF's pension fund	Fair value through profit/loss	3	75	75
Financial assets available for sale	Available for sale	3	12	12
Derivatives	Fair value through profit/loss	2	4 268	4 268
Total financial fixed assets			4 401	4 401
Current assets				
Trade accounts receivable	Loans and receivables		182	182
Derivatives	Fair value through profit/loss	2	31	31
Other short-term receivables	Loans and receivables		155	155
Total trade accounts and other short-term receivables			368	368
Investment in market-based securities	Fair value through profit/loss	1	820	820
Liquid assets	Fair value through profit/loss		3 250	3 250
Liabilities				
Long-term interest-bearing debt	Other liabilities	1	22 970	23 322
Derivatives	Fair value through profit/loss	2	221	221
Total long-term interest-bearing debt			23 191	23 543
Short-term interest-bearing debt	Other liabilities	1	3 044	3 046
Derivatives	Fair value through profit/loss	2	35	35
Total short-term interest-bearing debt			3 079	3 081
Trade accounts payable and other short-term debt	Other liabilities		1 455	1 455
Total Level 1*			-25 194	-25 548
Total Level 2**			4 043	4 043
Total Level 3**			87	87

* Quoted prices for active markets for identical financial instruments. No adjustments are made regarding these prices.

** Measured using other observable input compared to level 1, either directly (prices) or indirectly (derived from prices)

*** Measured using input not based on observable market data.

During the period there has not been any transactions between the measurement levels.

During the period there has been no changes in fair value for financial instruments measured in level 3 .

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 Statnett has contracts with.

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 the best estimate for fair value, due to the short-term nature of the items.

CSA agreements

Statnett has entered into CSA (Credit Support Annex) agreements with major counterparts. This entails that the market value of derivatives 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.

Note 4 – Plants under construction

Group (Amounts in NOK million)	2015	2014
Acquisition cost at 1 January	5 166	6 083
Additions during the year	1 079	1 294
Transferred to tangible fixed assets	(147)	(57)
Write-offs	-	-
Acquisition cost at 31 March	6 098	7 320
Effect hedge accounting	(67)	(42)
Book value 31 March	6 031	7 278

Contractual obligations as at 31 March 2015

Contractual obligations as at 31 March 2015 total NOK 8 026 million. The amount concerns development projects where contractual obligations exceed NOK 50 million.

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