

Q3



Q3 Table of contents

04	Director's report
13	Statement of comprehensive income
14	Balance sheet
15	Statement of changes in equity
16	Cash flow statement
17	Notes

In short

Highlights

So far in 2015, the power situation in Norway has been good and reservoir water levels were above the median at the end of the quarter. Operations were satisfactory in the third quarter, and the period was characterised by high project activity.

The Statnett Group's underlying profit after tax amounted to NOK 328 million in the third quarter of 2015 (NOK 373 million in the corresponding period in 2014). The underlying profit as of the third quarter amounted to NOK 1 151 million (NOK 1 060 million). The increase was mainly due to lower wage and staff costs due to a one-off effect, as the Group has changed from a defined-benefit pension plan to a defined-contribution pension plan. Costs related to system services have also been reduced. The effect is somewhat offset by lower interest rates which reduces the growth in permitted revenue.

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 (referred to as higher or lower revenue) will level out over time through adjustment of tariffs, ensuring that Statnett's recorded revenue over time corresponds with the regulated permitted revenue.

The recorded net profit for the Group amounted to NOK 338 million in the third quarter of 2015 (NOK 224 million), and NOK 945 million as of the third quarter (NOK 723 million). As of the third quarter of 2015, Statnett's higher revenue balance was reduced by NOK 282 million, including interest.

Important events in the third quarter of 2015

- The 2015 Grid Development Plan was presented on 1 October. Statnett received input from 37 participants in the preceding hearing consultation. The plan comprises grid projects of about NOK 40-55 billion over the first five years.
- The schedule for the Balsfjord-Skaidi power line has changed, and the line is now scheduled to be completed in 2019, two years earlier than planned. The schedule assumes that Statnett is granted access to the sites from construction start in 2016.
- Statnett has made an investment decision for the entire Western Corridor project. The project is an important prerequisite for realisation of international interconnectors.
- Before the summer, Statnett introduced a system for allocation of spare grid capacity. Statnett has received applications for grid connections of 760 MW of new production between Feda and Stokkeland in South Rogaland, and has granted permission for the entire volume.
- On the Ofoten-Balsfjord project, the first 11.5 km of a new 420 kV power line between Kvandal and Kvernmo came online in September.
- The new Sogndal substation came online on 15 September.
- Statnett and the wind power operators in Central Norway signed a new agreement and Statnett aims for making necessary investments in the central grid to support realization of alternative plans for 1000 MW of wind power.
- More than 90 percent of the Ørskog-Sogndal project has now been completed. In October, the District Court decided that Statnett's permits to construct a power line and substation in Myklebustdalen valley are valid. The work to complete the facility may therefore proceed. Assuming that Statnett gain access to Sørvaldalen valley before the turn of the year, it is feasible that we will be able to complete the entire project in 2016 as planned.
- From 2016, Statnett will conduct external financial reporting twice a year, instead of quarterly. The decision was made based on an assessment of the nature of the enterprise, which changes very little from one quarter to the next, and that the need for financial information will be satisfactorily maintained. The change is part of Statnetts efficiency improvement program.

Director's report

Safe and efficient operations

The power situation was good throughout the third quarter of 2015. The average temperature for the quarter was higher than normal, whereas precipitation was at a normal level. Due to heavy snow in the mountains at the start of the third quarter, water inflow was high throughout the period. Compared to normal, inflow increased by approximately 26 TWh in the third quarter of 2015, whereas inflow was reduced by about 11 TWh in the first six months of 2015.

At the beginning of the third quarter, reservoir water levels were 50.6 percent, 17.8 percentage points below the median (from the 1990-2014 measuring period). At the end of the quarter, reservoir water levels were about 92.5 percent, 6.4 percentage points above the median.

The hydrological balance remained relatively stable throughout the third quarter, showing a surplus of about 8 TWh at the end of the third quarter of 2015.

Total Norwegian power generation and consumption was 31 TWh and 26 TWh, respectively, in the third quarter of 2015. This resulted in net export of 5 TWh, compared with 6 TWh in the corresponding period in 2014.

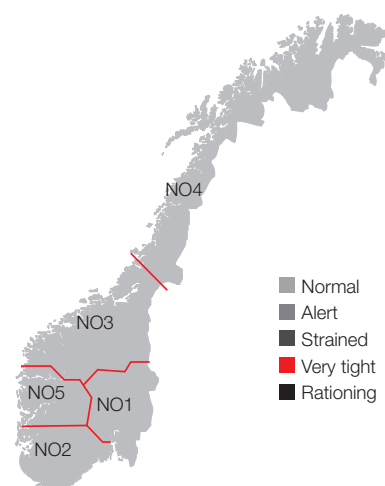
Beyond ordinary maintenance, there were some extensive outages in the third quarter in connection with investment projects. These include the following:

- Outages in Southern Norway in connection with upgrades of the Western Corridor reduced trading capacity with Denmark and the Netherlands.
- Outages associated with voltage upgrades in Central Norway resulted in reduced capacity in and out of the region Central Norway and Region North.
- The construction of the Ørskog-Sogndal power line resulted in more outages and congestion in the existing 132 kV grid between Sogn and Møre. The new Sogndal substation came online on 15 September, but a connection still needs to be established to Indre Sogn and Hallingdal. In this context, Indre Sogn was operated as a separate area from 25 September to 19 October.

- The construction of a new 420 kV power line between Ofoten and Balsfjord resulted in many outages and congestion in the existing grid north of Ofoten in addition to reduced operational reliability.

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

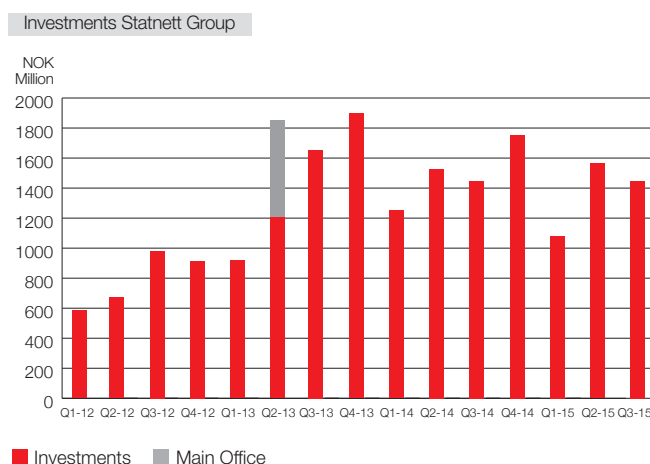
- Outage of the 132 kV power line between Skjomen and Narvik on 21 September due to an accident during helicopter operations. Along with the other outages in the area, this further reduced operational reliability. The power line was reconnected on 24 September.
- Outage of the 132kV Kanstadbotn-Hinnøy power line on 29 September as a result of a breakdown of a pylon. Due to other work in the area, this resulted in unilateral supply to Lofoten/Vesterålen. The power line was reconnected on 5 October.



Investments

Statnett is planning and implementing major development projects. The 2015 Grid Development Plan was presented on 1 October. The plan describes development trends and anticipated investments in the main grid.

So far this year, Statnett has invested a total of NOK 4 065 million (NOK 4 301 million), including commissioned projects, projects under construction, ICT projects and other investments. The expected investment level for 2015 is NOK 6.2 billion.



The main projects are listed in the table below.

Overview of major investment projects

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

Project	Location	Expected investments NOK million
Completed projects		
Lakselv	Finnmark	
New Sogndal station (part of Ørskog - Sogndal)	Møre og Romsdal/ Sogn og Fjordane	
Kvardal - Kvernmo (part of Ørskog - Sogndal)	Nordland/Troms	
Phase compensation for reactive power Lofoten and Vesterålen	Nordland	
Under implementation		
Western Corridor, voltage upgrade 1)	Vest-Agder/Rogaland	MNOK 7 500 - 8 500
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 1 350 - 1 650
Indre Oslofjord, reinvestments interconnectors	Akershus/Buskerud	MNOK 1 050 - 1 200
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 (NSL Link)		MEUR 750 - 1 000 ²⁾
Cable to Germany (NordLink)		MEUR 750 - 1 000 ²⁾
Final licence granted		
Balsfjord-Skaidi (-Hammerfest), new 420 kV power line	Troms/Finnmark	MNOK 4 000 - 6 000
Åfjord - Snilldal	Trøndelag	MNOK 1 900 - 2 700
Namsos - Åfjord (Storheia), new 420 kV power line	Trøndelag	MNOK 1 800 - 2 400
Snilldal (Snillfjord) - Surna (Trollheim), new 420 kV power line	Trøndelag/ Møre og Romsdal	MNOK 1 600 - 2 300
Station investments (Vemorktoppen, Mauranger, Kobbelv and other)		MNOK 1 650 - 2 300
Voltage upgrade Central Norway, subsection Aura/Viklandet - Trollheim	Trøndelag/ Møre og Romsdal	MNOK 500 - 700
Planned investments, licences pending or appealed		
Grid development plan Greater Oslo, stage 1)	Østlandet	MNOK 4 000 - 6 000
Lyse - Stølaheia	Rogaland	MNOK 2 500 - 3 500
Station investments (Smestad, transformers Western Norway and other)		MNOK 1 250 - 1 850
Voltage upgrade Aurland - Sogndal	Sogn og Fjordane	MNOK 500 - 900
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 share. Exposure mainly in Euro which corresponds to a span of 7-9 billion NOK per project. Agreements with partners in Germany and England will be in Euro.

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

Important project events in the third quarter of 2015

- *Western Corridor:*
 - o Substation and power line package 1: Groundwork is under way in Kvinesdal and Saurdal. A contract has been awarded for 14 transformers.
 - o Steps 2&3: Statnett's Board of Directors made an investment decision in September.
- *Ørskog-Sogndal 420 kV power line:* All transformers have been transported to their respective substations without any undesirable incidents. More than 90 percent of the Ørskog-Sogndal project is now completed. The new Sogndal substation came online on 15 September. The connection between Indre Sogn and Hallingdal still needs to be established. Based on the court's decision, Statnett will request that the court annul its decision to allow the property owners' appeal to have suspensive effect for the areas in Sørvalen, so we can start the completion work on the seven remaining tower sites. Assuming that we gain access to Sørvalen valley before the turn of the year, it is feasible that we will be able to complete the entire project in 2016 as planned.
- *Ofoten-Balsfjord:* The first 11.5 km of a new 420 kV power line between Kvandal and Kvernmo came online in September. The discretionary judgement case concerning reindeer herding has been concluded.
- *Reactive power compensation Lofoten and Vesterålen:* The facility in Kilbotn entered operation in August.
- *Voltage reduction reactors:* Contracts for new composite reactor breakers were signed in August and September.
- *Inner Oslofjord cable facility:* Construction started at the end of September/beginning of October.
- *Wind power Central Norway (Namsos – Åfjord and Åfjord – Snilldal):* Statnett and the wind power operators signed a new agreement with the aim of realising alternative plans for 1000 MW of wind power in Central Norway.
- *New cables Tjeldsundet:* All four cable lengths were installed in September. The facility was commissioned in October.
- Statnett has conducted a concept and feasibility

study for supply to handle increased power consumption in Haugalandet, which is part of the so-called SKL ring. Statnett's Board of Directors has discussed the study, which was submitted to the Ministry of Petroleum and Energy (MPE) in August 2015.

- In September, Statnett's Board of Directors discussed a concept and feasibility study for increased consumption at Fræna/Nyhamna. The study has been submitted to the Ministry of Petroleum and Energy (MPE).

Financial performance

Operating revenues

The Group's operating revenues in the third quarter of 2015 totalled NOK 1 525 million (NOK 1 361 million). Operating revenues from regulated operations totalled NOK 1 493 million (NOK 1 264 million), while other operating revenues amounted to NOK 32 million (NOK 97 million). The increase was mainly due to higher congestion revenues in the Nordic region and NorNed, due to historically low prices in Southern Norway. This caused major price differences. Tariff revenues from fixed tariff components have increased as a consequence of a change in tariff rates for consumption, whereas tariff revenues from energy components were somewhat reduced due to lower energy prices.

The Statnett Group's operating revenues as of the third quarter of 2015 totalled NOK 4 399 million (NOK 4 137 million). Operating revenues from regulated operations totalled NOK 4 294 million (NOK 3 977 million), while other operating revenues amounted to NOK 105 million (NOK 160 million). The increase in operating revenues was mainly caused by the same reasons as for the third quarter. Other operating revenues were lower due to profit from the sale of Huseby-plåtået recorded in 2014.

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 was NOK 4 615 million as of the third quarter of 2015 (NOK 4 470 million). The increase was mainly due to an increase in the company's asset base, somewhat

offset by lower interest rates as a basis for return on invested grid capital. Recorded revenues from regulated activities in Statnett consist primarily of fixed grid tariffs from the customers as well as congestion revenues (price differences between areas in the Nordic region and in relation to the Netherlands). If the recorded revenues from grid operations for one year diverge from the permitted revenue, so-called higher or lower revenue will occur. Higher/lower revenue will level out over time through adjustment of future grid tariffs. In the third quarter of 2015, Statnett's higher revenue amounted to NOK 8 million (lower revenue of NOK 212 million). As of the third quarter of 2015, lower revenue totalled NOK 321 million (NOK 493 million). Accumulated higher revenue including interest was NOK 1 508 million at the end of the third quarter of 2015.

Operating costs

The Group's operating costs totalled NOK 1 001 million in the third quarter of 2015 (NOK 991 million). Operating costs as of the third quarter amounted to NOK 2 865 million (NOK 2 959 million). The decrease is mainly due to a one-off effect related to transition to a new pension plan, lower system services costs and transmission loss, partly offset by higher wage and staff costs and an increase in depreciation.

System services costs amounted to NOK 133 million in the third quarter of 2015, down NOK 27 million compared with the corresponding period in 2014. System services costs as of the third quarter of 2015 were NOK 354 million, down NOK 90 million compared with the third quarter of 2014. The reduction was mainly due to lower special adjustment costs in the third quarter and lower transit costs due to, e.g., termination of the agreement to purchase transmission services from the Swedish grid company Svenska kraftnät.

Transmission loss totalled NOK 63 million in the third quarter of 2015 (NOK 141 million). Transmission loss totalled NOK 339 million as of the third quarter of 2015 (NOK 411 million). The reduction was due to significantly lower prices, somewhat offset by higher loss volume. As of the third quarter of 2015, wage and staff costs

totalled NOK 293 million (NOK 512 million). After adjusting for the effect of the change of pension scheme, wage and staff costs increased by NOK 93 million compared with the third quarter of 2014. The increase was driven by higher activity levels and increased workforce as well as increased costs due to an altered scheme for differentiated employer's contribution.

Depreciation and impairment amounted to NOK 350 million in the third quarter of 2015 (NOK 277 million). At the end of the third quarter of 2015, depreciation and impairment totalled NOK 1 109 million (NOK 804 million). The increase was due to an increased asset base, a change in the depreciation period for the backup power plants and increased removal obligations.

Other operating costs totalled NOK 279 million during the third quarter (NOK 251 million). As of the third quarter, other operating costs totalled NOK 770 million, down NOK 18 million compared with the corresponding period in 2014, despite growth in the Group. The reduction is partly related to foreign exchange gains resulting from currency hedging of the NordLink project, which do not qualify for hedge accounting. Furthermore, costs related to equipment/materials were reduced, as fewer major operating projects were launched compared with last year, and consultancy services costs were reduced as a result of Statnett's efficiency improvement program. This was somewhat offset by an increase in insurance costs and increased property tax, mainly explained by the amended accounting principle pursuant to IFRS (IFRIC 21).

Operating profit

The Group's operating profit in the third quarter of 2015 was NOK 524 million (NOK 370 million). Operating profit as of the third quarter was NOK 1 534 million (NOK 1 178 million).

Financial items

Net financial items amounted to a loss of NOK 61 million in the third quarter of 2015 (loss of NOK 72 million). As of the third quarter, the Statnett Group's net financial items amounted to a loss of NOK 241 million

(loss of NOK 207 million). The increase in financial costs was due to increased borrowing primarily related to the realisation of Statnett's development projects. However, lower interest rates also contributed to a minor net change.

Net profit

The Group's profit after tax in the third quarter of 2015 was NOK 338 million (NOK 224 million). The profit after tax as of the third quarter was NOK 945 million (NOK 723 million). The underlying profit after tax, adjusted for changes in the higher revenue balance, amounted to NOK 1 151 million in the third quarter of 2015 (NOK 1 060 million).

Cash flow and balance sheet

The Group's operating activities generated an accumulated cash flow of NOK 1 408 million at the end of the third quarter of 2015, compared with NOK 2 169 million in the corresponding period in 2014. The net cash flow from investment activities totalled NOK -4 070 million compared with NOK -4 248 million in the corresponding period in 2014. In total, loans were paid down by NOK 642 million, and new loans of NOK 1 503 million were raised. At the end of the third quarter of 2015, the Group's liquid assets and market-based securities amounted to NOK 3 087 million (NOK 2 285 million).

At the end of the third quarter of 2015, the Group had total assets of NOK 45 002 million (NOK 35 743 million), and interest-bearing debt amounted to NOK 27 931 million (NOK 19 759 million). Interest-bearing debt includes security under CSA (Credit Support Annex) of NOK 2 682 million (NOK 254 million). The market value of recognised interest swap and currency swap agreements (fair value hedges) related to interest-bearing debt was NOK 4 809 million. Interest-bearing debt, adjusted for this, totalled NOK 23 122 million.

Subsidiaries and associated companies

Statnett SF wholly owns Statnett Transport AS. As of the third quarter of 2015, operating revenues for Statnett Transport amounted to NOK 105 million (NOK 119 million) and the profit before tax was NOK 22

million (NOK 29 million).

Statnett SF wholly owns NordLink Norge AS. The company will be responsible for construction and operation of Statnett's share of the NordLink cable. As of the third quarter of 2015, NordLink Norge AS did not have any operating revenues. Profit before tax amounted to NOK 31 million, mainly related to foreign exchange gains resulting from currency hedging of the NordLink project. The company had no activity in 2014.

Statnett SF owns 50 percent of the shares in Lyse Sentralnett and holds control over the company, which has been consolidated in the Statnett Group accounts. Operating revenues for Lyse Sentralnett AS amounted to NOK 25 million as of the third quarter of 2015 (NOK 25 million), and the profit before tax was NOK 1 million (NOK 9 million).

Statnett SF has an ownership interest of 28.2 percent in Nord Pool Spot AS. Statnett's share of the result in Nord Pool Spot AS contributed NOK 8 million (NOK 13 million) to the Statnett Group's profit as of the third 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 group's social mission. Statnett shall use the activities, expertise and resource base in the Group 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)

In total, Statnett reported six lost-time injuries in the third quarter of 2015: one internal and five contractor/supplier lost-time injuries. Two lost-time injuries were reported in the corresponding period in 2014. One of the six incidents in the third quarter of 2015 caused serious personal injury. A young contractor employee was seriously injured. The accident is being investigated internally in Statnett.

Over the last few years, the Group 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 a Lost Time Injury Frequency Rate (LTIFR) of 2.0 and Total Recordable Incidents (TRI) of 3.9. LTIFR and TRI is measured as revolving over 12 months. As of the third quarter of 2015, Statnett's LTIFR was 5.5 and the TRI 10.6 (including contractors/suppliers). This is an increase from year-end 2014 (LTIFR of 4.4 and TRI of 7.6).

The Group's overall absence due to illness was 3.0 percent in the third quarter of 2015, compared with 3.2 percent in the corresponding period in 2014.

Overall absence due to illness for Statnett was 3.1 percent in 2014.

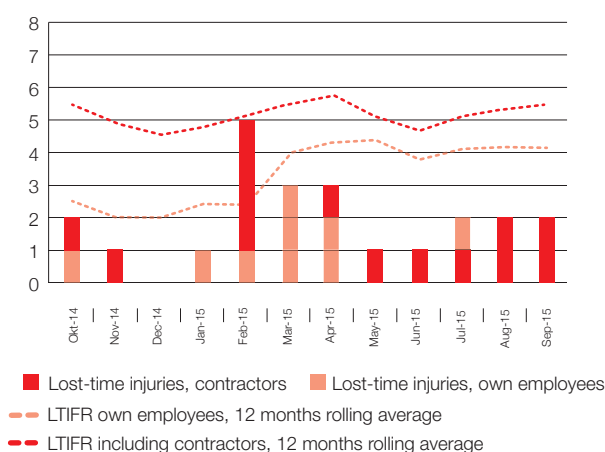
Risk

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

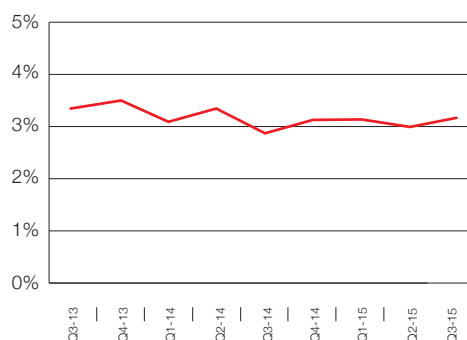
Statnett is exposed to HSE risks mainly in connection with implementation of development projects as well as operation and maintenance of existing facilities. Statnett's HSE risk assessment forms the basis of systematic improvement work within HSE. As presented in the 2015 Grid Development Plan, Statnett is about to enter a period with a historically high investment level. This also means that the total project portfolio risk associated with HSE, finance and reputation will increase.

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. Reservoir water levels are above the median and the hydrological balance is above normal. 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.

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



Absence due to illness



Security of supply is below the desired level and N-0 operation is necessary during some periods in some areas. However, there has been no recent significant changes in the risk.

The threat against critical ICT infrastructure in society is increasing. Statnett has several critical IT services. Loss of such services would make it challenging to handle system operations, for instance in the event of faults in grid facilities or major changes in production and consumption. Statnett cooperates with other 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

In October, Statnett launched the 2015 Grid Development Plan. Norwegian society's need for a stronger grid which ensures a reliable power supply, facilitation of renewables projects and industrial and commercial development throughout the country mean we are in a period with an historically high investment level. The development of new grid facilities will contribute to increased capacity in the power system, but it also results in delays of important reinvestments in existing plants. Statnett emphasises maintaining an overall project and reinvestment plan that balances the efficient development of the main grid in Norway with maintaining reliable security of supply.

Together with its German and British partners, Statnett has started the construction of the interconnectors to Germany and the UK. Both projects have high priority and 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 generates 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 grid development measures with the highest priority have a positive effect on security of supply. However, the large project scope also entails major strain on a generally highly utilised and ageing power grid. Consequently, a focus on preparedness will continue to be important in the years to come.

Statnett continues its collaboration with the wind power operators in Central Norway, who are currently conducting a new portfolio assessment of the wind power projects at Fosen and in Snillfjord.

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 percent 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.

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, promote cooperation and structure developments at a Nordic level, and ensure value creation from Norwegian hydropower.

Major investments will be made in the main grid

over the coming period, which will affect tariffs. The measures will be based on a sound socio-economic foundation and Statnett strives to ensure transparent, cost-efficient 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. The Group aims to increase efficiency by 15 percent by the end of 2018. The results so far have been good. An important 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.

Statnett considers a robust A rating to be necessary to secure adequate access to liquid Norwegian and international debt capital markets. Consequently, Statnett will, if necessary, take measures to protect its rating, including adjustments of its investment portfolio and balance sheet, hybrid financing or other financial measures available to it.

Oslo, 12. november 2015

The Board og Directors, Statnett SF

Statement of comprehensive income

Statnett Group

Amounts in NOK million	Note	Third quarter		Year to date		Year
		2015	2014	2015	2014	2014
Operating revenue						
Operating revenue regulated operations	2	1 493	1 264	4 294	3 977	5 389
Other operating revenue		32	97	105	160	174
Total operating revenue		1 525	1 361	4 399	4 137	5 563
Operating costs						
System services		133	160	354	444	609
Transmission losses		63	141	339	411	586
Salaries and personnel costs	5	176	162	293	512	715
Depreciation, amortisation and impairment		350	277	1 109	804	1 150
Other operating costs		279	251	770	788	1 125
Total operating costs		1 001	991	2 865	2 959	4 185
Operating profit		524	370	1 534	1 178	1 378
Income from associate		-2	4	3	13	11
Financial income		153	30	448	86	202
Financial costs		214	102	689	293	471
Profit before tax		461	302	1 296	984	1 120
Tax		123	78	351	261	291
Profit for the period		338	224	945	723	829
Other comprehensive income						
Changes in fair value, held-for-sale investments		-	-	-	-	2
Changes in fair value for cash flow hedges		-51	-23	15	-81	-158
Tax effect		14	6	-4	22	43
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		-37	-17	11	-59	-113
Remeasurements of pension liabilities	5	162	-287	162	-287	-407
Tax effect		-43	77	-43	77	110
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>		119	-210	119	-210	-297
Total other comprehensive income		82	-227	130	-269	-410
Total comprehensive income		420	-3	1 075	454	419

Balance sheet

Balance sheet

<i>(Amounts in NOK million)</i>	<i>Note</i>	30.09.15	30.09.14	31.12.14
ASSETS				
Fixed assets				
Goodwill		53	53	53
Other intangible fixed assets		185	170	227
Tangible fixed assets		27 062	22 020	27 515
Plants under construction	4	8 650	9 254	5 047
Investment in associates		85	89	89
Other financial fixed assets	3	4 979	1 494	3 340
Total fixed assets		41 014	33 080	36 271
Current assets				
Trade accounts and other short-term receivables	3	901	378	472
Market-based securities	3	682	660	1 345
Liquid assets	3	2 405	1 625	3 019
Total current assets		3 988	2 663	4 836
Total assets		45 002	35 743	41 107
EQUITY AND LIABILITIES				
Equity				
Contributed capital		5 950	5 950	5 950
Other equity accrued		7 355	6 636	6 601
Non-controlling interest		78	78	78
Total equity		13 383	12 664	12 629
Long-term liabilities				
Deferred tax		974	737	682
Pension liabilities	5	327	714	869
Other liabilities		639	405	485
Long-term interest-bearing debt	3	24 651	18 543	22 138
Total long-term liabilities		26 591	20 399	24 174
Current liabilities				
Short-term interest-bearing debt	3	3 280	1 216	2 505
Trade account payable and other short-term debt	3	1 642	1 457	1 763
Tax payable		106	7	36
Total current liabilities		5 028	2 680	4 304
Total equity and liabilities		45 002	35 743	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	-	-
Paid contributed capital	-	-	-	-	-	-3 250	3 250
Acquisition subsidiary	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	723	3	720	720	-	-	1
Other comprehensive income	-269	-	-269	-	-269	-	-
Paid contributed capital	-	-	-	-	-	-3 250	-3 250
Acquisition subsidiary	75	75	-	-	-	-	-
Equity as at 30.9.2014	12 664	78	12 586	6 918	-282	-	5 950
Equity as at 1.1.2015	12 629	78	12 551	7 024	-423	-	5 950
Profit/loss for the year	945	-	945	945	-	-	-
Other comprehensive income	130	-	130	-	130	-	-
Dividends declared	-321	-	-321	-321	-	-	-
Equity as at 30.9.2015	13 383	78	13 305	7 648	-293	-	5 950

Cash flow statement

Statnett Group

<i>Cash and cash equivalents at the start of the period</i>	Year to date 2015	Year to date 2014	Year 2014
Cash flow from operating activities			
Profit before tax	1 296	984	1 120
Loss/gain(-) on sale of fixed assets	-1	-56	-59
Depreciation, amortisation and impairment	1 109	804	1 150
Taxes paid	-37	-	-
Interest recognised in the income statement	247	202	270
Interest received	34	47	55
Interest paid, excl. construction interest	-326	-279	-301
Changes in trade accounts receivable/payable	-72	102	273
Changes in other accruals	-839	378	531
Result from companies using equity method	-3	-13	-11
Net cash flow from operating activities	1 408	2 169	3 028
Cash flow from investing activities			
Proceeds from sale of tangible fixed assets	9	52	58
Purchase of tangible fixed assets, other intangible fixed assets and plants under construction	-3 982	-4 124	-5 809
Construction interest paid	-104	-140	-196
Purchase of subsidiary, net of cash acquired	-	-40	-40
Change in long term loan receivables	-	-	-14
Dividend received	7	4	4
Net cash flow from investing activities	-4 070	-4 248	-5 997
Cash flow from financing activities			
Proceeds from new interest-bearing borrowings	1 503	1 329	3 048
Repayment of interest-bearing debt	-642	-1 992	-2 287
Changes in collateral under CSA (Credit Support Annex) agreements	823	145	1 687
Proceeds from sale of market-based securities	1 050	372	476
Purchase of market-based securities	-365	-370	-1 156
Dividend paid	-321	-	-
Proceeds from new equity	-	3 250	3 250
Net cash-flow from financing activities	2 048	2 734	5 018
Net cash flow for the period	-614	655	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	2 405	1 625	3 019

Restricted bank deposit amounting to NOK 68 million is included in cash and cash equivalents as at 30 September, 2015. Unused credit facilities of NOK 6 500 million are not included in cash and cash equivalents.

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. The standard stipulates criteria for when an entity should recognise a liability. One such criterion is that the entity has 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. IFRIC 21 affects the Group's recognition of property tax as a liability. The obligating event will occur when the municipalities issue the property tax to the Group companies. This implies that the Group recognises 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 3 531 million in the third quarter of 2014 to NOK 3 624 million in the same period in 2015. Congestion revenues increased from NOK 588 million in the third quarter of 2014 to NOK 817 million in the same period in 2015.

Lower revenue in the third quarter of 2015 amounted to NOK 321 million (lower revenue of NOK 493 million). At the end of the third quarter of 2015, accumulated higher revenue, including interest and changes for previous years, was NOK 1 508 million.

<i>(Amounts in NOK million)</i>	Year to date 2015	Year to date 2014	Year 2014
Statnett Group			
Tariff revenues	3 624	3 531	4 741
Congestion revenues	817	588	807
Income from other owners in shared grids	-147	-142	-160
Total operating revenues regulated activities	4 294	3 977	5 389
Total permitted revenue	4 615	4 470	6 054
This year's higher/lower revenue (-/+), excl. interest	321	493	665
This year's provision for interest higher/lower revenue (-/+)	-19	-32	-42
Higher/lower revenue (-/+), change previous year	-20	-	-
Changed balance for higher/lower revenue (-/+)	282	461	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	282	461	623
Balance higher/lower revenue (-/+), incl. interest year to date	-1 508	-1 952	-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 30 september 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	10	10
Derivatives	Fair value through profit/loss	2	4 848	4 848
Total financial fixed assets			4 979	4 979
Current assets				
Trade accounts receivable	Loans and receivables		187	187
Derivatives	Fair value through profit/loss	2	50	50
Other short-term receivables	Loans and receivables		664	664
Total trade accounts and other short-term receivables			901	901
Investment in market-based securities	Fair value through profit/loss	1	682	682
Liquid assets	Fair value through profit/loss		2 405	2 405
Liabilities				
Long-term interest-bearing debt	Other liabilities	2	24 428	24 689
Derivatives	Fair value through profit/loss		223	223
Total long-term interest-bearing debt			24 651	24 912
Short-term interest-bearing debt	Other liabilities	1	3 274	3 274
Derivatives	Fair value through profit/loss	2	6	6
Total short-term interest-bearing debt			3 280	3 280
Trade accounts payable and other short-term debt	Other liabilities		1 642	1 642
Total Level 1*			-27 020	-27 281
Total Level 2**			4 669	4 669
Total Level 3**			85	85

* 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.

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.

Reconciliation of level 3 in fair value measurements

(Amounts in NOK million)

	2015	2014
Opening balance at 1. January	87	84
Capital reduction	-2	-
Net unrealised gain/loss in periode	-	3
Total fair value level 3	85	87

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	4 065	4 301
Transferred to tangible fixed assets and other intangible fixed assets	-471	-1 131
Acquisition cost at 30 september	8 760	9 253
Effect hedge accounting	-110	1
Book value 30 september	8 650	9 254

Contractual obligations as at 30 September 2015

Contractual obligations as at 30 September 2015 total NOK 10 882 million. The amount concerns development projects where contractual obligations exceed NOK 50 million.

Note 5 - Pensions

Statnett has conducted calculations of the company's pension liabilities based on the Norwegian Accounting Standards Board's updated assumptions as of 31 August 2015.

The pension liability has been reduced by NOK 162 million as a result of changes in actuarial assumptions and the pension population as of the third quarter. The changes in actuarial gains/losses as a result of the update have been recognised in other comprehensive income.

The following assumptions have been applied in the quarterly accounts:

Financial/actuarial assumptions	30.09.15	30.09.14	31.12.14
Discount rate corporate covered bonds (OMF)	2,50 %	3,00 %	2,30 %
Expected return on pension assets	2,50 %	3,25 %	2,30 %
Expected salaries adjustments	2,25 %	3,25 %	2,75 %
Expected pension adjustments	1,50 %	2,25 %	1,75 %
Expected adjustment of basic amount (G)	2,25 %	3,00 %	2,50 %
Expected mortality table adjustment	K2013FT	K2013BE	K2013BE

Remeasurements

(Amounts in NOK million)

Discount rate	-75	659	1 214
Rate of return assets	2	-55	-60
Salaries growth	-56	-125	-308
Pension adjustment	-63	-203	-450
Mortality table (K2013)	134	-	-
Effect of experience adjustment	-104	11	11
Total changes in remeasurements	-162	287	407

In June 2015, Statnett decided to change the Group's pension scheme from a defined-benefit scheme to a defined-contribution scheme. The transition to the new scheme will take effect from 1 January 2016. The effects of the changes were incorporated into the pension figures for the second quarter. For more information, see Note 5 in the Q2 report.

Statnett

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