Statnett

Half-year report

2021

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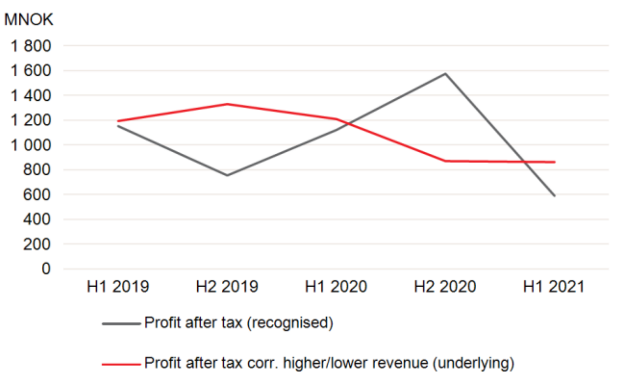
Highlights

In the first half of 2021, Statnett processed as many connection requests as in the whole of 2020. ”Going green faster” is a reality, and the name of Statnett's new strategy adopted by the Board of Directors in June. Statnett will deliver a security of supply of electrical power and facilitate sustainable value creation on the way to a zero-emission society. The pace of the energy transition is accelerating, and Statnett must plan, a power system that takes into account power consumption of up to 220 TWh by 2050, compared with 140 TWh today.

The operational situation was satisfactory throughout the first half of 2021, with stable system and infrastructure operations throughout Norway. The power situation was normal throughout the period. While the first two months of the year were cold, with relatively little precipitation, there was slightly more precipitation than normal in the Norwegian power plant reservoirs in the period as a whole. At the start of the year, the hydrological balance in Norway was in deficit by around 3 TWh.

New power consumption records were set several times in Norway during the first half of the year. January also saw record-high power production. Cold weather, higher gas prices in continental Europe, and a higher carbon cost also pushed the power price to a record-high level throughout much of the period. Total Norwegian power production and consumption resulted in a net export of around 7 TWh, up from 6 TWh in the first six months of 2020. Trading capacity with international markets was affected by several long-term incidents. Despite this, capacity was significantly higher than in the same period in 2020, partly due to the NordLink interconnector to Germany entering operation.

Profit after tax



In the first half of 2021, the Statnett Group posted an underlying profit after tax of NOK 862 million (NOK 1,209 million). The consolidated profit after tax for the reporting period closed on NOK 590 million (NOK 1,121 million). Statnett's lower revenue balance increased by NOK 349 million during the first half-year.

Other key events

- The NordLink subsea interconnector between Norway and Germany went into ordinary operation in March and was officially opened on 27 May. The 623-kilometre cable has a capacity of 1,400 MW.
- The work on laying the North Sea Link subsea interconnector between Norway and the UK was completed on 15 June and testing has been underway throughout the summer. Trial operations are due to start on 1 October 2021. At 720 kilometres, the interconnector is the world's longest subsea power cable and has a capacity of 1400 MW.
- In the Western Corridor, the last of eight new 420 kV substations went into operation in Suldal Municipality on 27 May. The final 420 kV power line section between Hyland and Saurdal is due to be energised in the autumn.
- Statnett has reduced the grid rental for 2021 to its direct customers by 24 per cent compared with 2020 to help alleviate the financial consequences of the Covid-19 pandemic on Norwegian consumers and industry.
- On 14 April, the RME published a report outlining changes in the calculation of Statnett's cost norm and revenue cap – i.e. how much grid rental Statnett can collect. The changes will not have a major impact on the revenue cap in 2021.
- Hilde Tonne replaced Auke Lont as Statnett's CEO on 15 March 2021.

Key figures and alternative performance measures*

Key figures *(Amounts in NOK million)*	**H1** **2021**	**2020**	**Year** **2020**
Accounting profit			
Operating revenue	5 279	4 776	10 761
Depreciation and amortisation [1)]	-1 471	-1 365	-2 820
Operating profit	1 039	1 604	3 868
Profit for the period	590	1 121	2 697
Adjustments			
Change in higher/lower (+/-) revenue befor tax	349	113	-874
Change in higher/lower (+/-) revenue after tax	272	88	-682
Accumulated higher/lower (+/-) revenue	290	845	-60
Underlying profit (adjusted for change in higher/lower revenue)[2)]			
Underlying operating profit	1 388	1 717	2 994
Underlying profit for the period	862	1 209	2 015
Key figures balance sheet			
Investments (additions, facilities under construction and purchased grid infrastructure)	3 231	3 351	7 298
Equity adjusted for higher/lower revenue after tax	18 890	17 858	18 896
Total assets	83 694	84 997	82 885
Capital employed [3)]	68 669	65 196	68 382
Equity ratio after tax, adjusted for higher/lower revenue [4)]	22,6 %	21,0 %	22,8 %
Key figures, Operations			
Number of full-time equivalents	1 632	1 556	1 576
Sickness absence %	2,5 %	3,0 %	2,8 %
Lost-time injuries, own employees	3	3	4
Lost-time injuries, including suppliers/contractors	8	7	17

[1)] Depreciation, amortisation and impairments per statement of total comprehensive income less impairments disclosed in Note 4, Facilities under construction.

[2)] The underlying profit is based on regulated permitted revenue, while the accounting result will vary depending on established tariffs, charges and congestion revenue. The difference is known as higher/lower revenue (see Note 2).
[3)] Capital employed = Property, plant and equipment + Facilities under construction + Trade and other current receivables + Trade and other current payables

[4)] Return on equity after tax, adjusted for higher/lower revenue = Equity adjusted for higher/lower revenue / total assets.
* To provide a better understanding of Statnett's underlying result we also present a number of alternative performance measures. Alternative performance measures are defined in ESMA's guidelines as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Statnett's alternative performance measures are adjusted for higher/lower revenue, and supplement the figures in the IFRS financial statements. Reported accumulated higher/lower revenue also includes applied interest and any prior-year adjustments.
Changes in selected key financial and operational ratios used by management to monitor alternative performance measures over time are also shown.

Operating and market information

The power situation was normal throughout the first half of 2021. While the first two months of the year were cold, with relatively little precipitation, there was slightly more precipitation than normal in the period as a whole. Although the situation was generally good throughout the first half-year, several localities experienced reduced flexibility during the spring due to depleted local reservoir levels. The local challenges were compounded by a relatively late start to the snowmelt.

At the start of the year, reservoir levels were at 82.2 per cent of capacity, 14.3 percentage points above the median. At the end of June, reservoir levels were at 65.5 per cent of capacity, 3 percentage points above the median. At the same date, the hydrological balance in Norway was in deficit by around 3 TWh. Norwegian power production and consumption for the first six months of the year totalled 80 TWh and 73 TWh, respectively. This resulted in a net export of 7 TWh.

Trading capacity with international markets was also affected by several long-term incidents during the reporting period. The NordLink subsea interconnector between Norway and Germany went into commercial operation on 9 December 2020. Statnett has generally operated with full trading capacity since January, although TenneT's trading capacity has been reduced due to conditions in the German grid. The interconnector experienced multiple outages, primarily due to faults at transformation substations, all of which were of relatively short duration. The NordNed power line was out of operation due to cable faults on the Dutch side from 18 January to 30 March, while import capacity on the Skagerrak interconnector is still impaired due to faults on the land cable in Denmark in 2019.

Svenske kraftnät (Svk) reduced the export capacity for NO1->SE3 on grounds of operational safety in Sweden throughout the period. From week commencing 1 March, Svk also reduced the import capacity for SE3->NO1 due to restrictions the east-west flow in Sweden and lower nuclear power production. In addition, Statnett has recently limited the export capacity to Sweden in order to avoid overloading the transmission grid in Østfold.

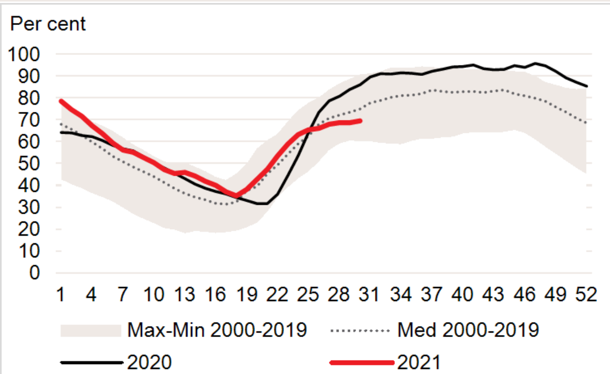
The start of the period was characterised by cold weather, high power prices, and new records for both consumption and production. Towards the end of the period, warm weather in Eastern Norway necessitated significant system (down-) regulation as the heat resulted in low transmission limits on the 132 and 300 kV power lines. The grid restrictions created significant price differences between South and North Norway.

There was only one extreme weather alert during the winter. Storm "Frank" disrupted several of Statnett's power lines in both North and South Norway, but no incidents resulted in extensive blackouts. However, some end users were impacted by outages in various distribution grids.

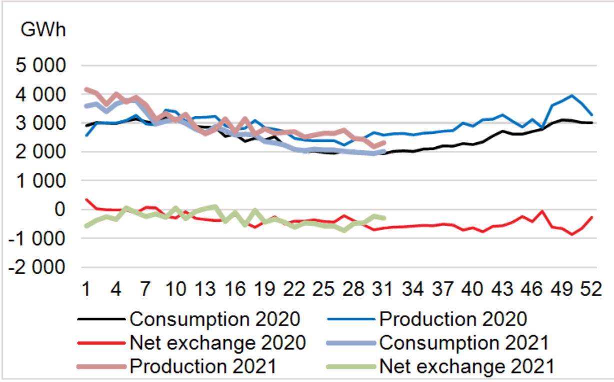
The period featured many days with abnormally high imbalances and forecast deviations, which resulted in correspondingly large regulation requirements. A new market to secure sufficient down-regulation reserves, market for contracting mFRR (direction down), was opened in week commencing 19 April.

Duty rosters, staffing levels and shift rotas continued normally during the period despite the coronavirus situation.

Reservoir levels Norway



Production and consumption Norway



	Unit	2021 Ambition level	H1 2021	H1 2020	2020
Non-Delivered Energy (NDE)	MWh	1,250	183	263	1,381
Frequency variances	Minutes	10,000	5,497	7,287	9,693

Sustainability and safety

Statnett will conduct itself in a sustainable, ethical and socially responsible manner. The Group has taken several measures to strengthen and systematise our sustainability efforts, and our new strategy will further reinforce our work in this area as well as within personal safety.

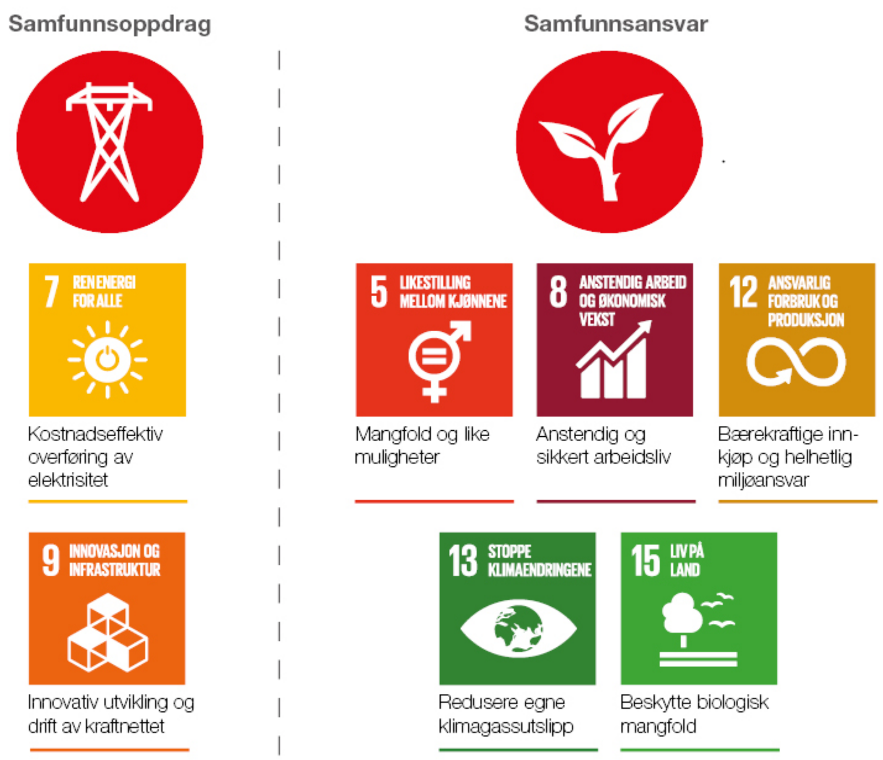
Statnett uses the UN's Sustainable Development Goals as a framework to systematise its sustainability work. We contribute to seven of the UN's Sustainable Development Goals through our social and corporate social responsibility mandates. We have formalised our commitment to work for the realisation of these goals by joining the UN's sustainable business initiative: the UN Global Compact.

Statnett has three participants in the Young Sustainable Development Goals Innovators Program (YSIP) through the UN Global Contact. The programme is intended to encourage employees of UN Global Compact member businesses to learn about the sustainable development goals and how to meet sustainability challenges in their own company.

New strategy to reinforce our sustainability framework

Statnett adopted a new strategy in June 2021, with a key focus on sustainability work. Reinforcing follow-up of our sustainability efforts along the supply chain and increasing diversity in our own organisation will be the main elements of the new strategy. We will systematically strive to meet the upcoming requirements and expectations of ESG[1] and TCFD[2] reporting. We will reinforce our environmental efforts by focusing in particular on preserving biodiversity and landscapes. We have also set a target of reducing greenhouse gas emissions by 25 per cent by 2025 and by 50 per cent 2030, with an ultimate goal of achieving a zero-emission power system by 2050.

Qualification of suppliers and requirements incorporated in supplier contracts play an important role in promoting social and environmental considerations. In the first half of 2021, we clarified our requirements around pay and working conditions at our suppliers. In addition, the Group has revised its Supplier Code of Conduct. This means that suppliers who are listed on the Government Pension Fund Global's (Oil Fund) exclusion list or the World Bank's debarment list may be prohibited from participating.



1 ESG stands for Environmental, Social and Governance. It is a term used primarily by investors, fund managers and the financial sector.

2 TCFD stands for Task Force on Climate-Related Financial Disclosures.

There were two environmental incidents in the first half of 2021. One incident involved a diesel leakage from an emergency generator room at one of our substations, where around 300 litres of diesel seeped into the ground, close to water and watercourses. The other incident was a major SF6 discharge during the installation of a new 420 kV GIS facility at Sogn transformer substation. The reported discharge of 271 kg SF6 gas occurred while gas containers were being refilled before the site was taken over by Statnett. The discharge was reported to the authorities by the contractor who installed the system, who has since carried out an investigation.

Green financing

In recent years, Statnett has focused on improving and publishing information on Statnett's work on sustainability. The information has in particular been aimed at the external market for Green bonds, which are used to finance construction projects with a positive climate impact. Statnett has been certified by CICERO (The Centre for International Climate Research), gaining the highest-possible climate rating of "dark green". In 2020, Statnett took out its first green bonds with a combined value of NOK 3.6 billion, followed by a further NOK 1.4 billion in the first half of 2021.

Statnett reports annually on sustainability in accordance with the international Global Reporting Initiative. See www.statnett.no and Statnett's 2020 Annual Report.

A safe workplace

Despite the ongoing coronavirus pandemic, Statnett's personal safety indicators for projects and operations have been satisfactory in 2021.

Statnett reports the LTIF indicator (work-related lost-time injuries), the TRIF indicator (total recorded injuries frequency) and the SIF (serious incident frequency incidents with actual or potentially serious consequences).

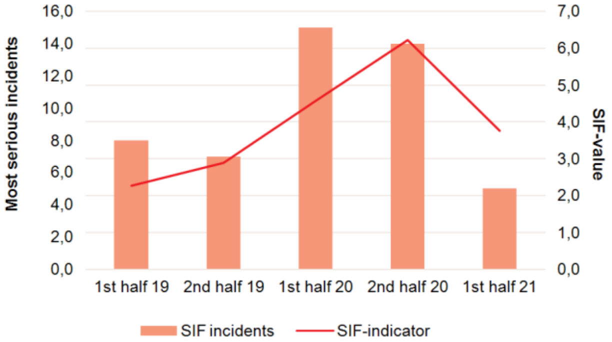
Having reached a low figures in 2020, the LTIF indicator for own employees continued to fall in the first half of 2021 and the indicator has been improving since 2019. However, the total number of personal injuries has increased compared to the first six months of the year 2020. The internal LTIF and TRIF indicators have fallen by respectively 48 per cent and 19 per cent over the last 12 months.

From a high level at the end of 2020, the SIF indicator has steadily fallen in the first half of 2021 as a result of systematic work on measures relating to HSE culture and monitoring, including a dedicated safety climate survey. Three internal SIF incidents have been recorded so far in 2021, the lowest number for some time.

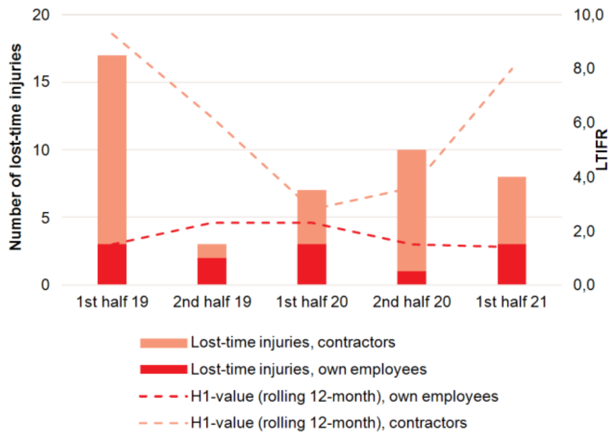
The number of electrical safety incidents in projects has fallen in 2021. This is partly attributable to the completion of one of our largest power line projects (the Western Corridor) around the end of the year, as well as sharper focus on electrical safety in some of our largest power line projects and close monitoring of suppliers, including at overarching level.

Statnett is experiencing increasing levels of potentially hazardous activity close to live installations, in particular under power lines. Such activities are routinely recorded and appropriate measures are taken, and there is an ongoing need to raise awareness among businesses and the public about the risk of such activities.

SIF-value 12 months rolling average Group



LTIF-value rolling 12 month and lost-time injuries Group



In the first half of the year, we conducted three surveys and one investigation of incidents and hazardous conditions affecting the SIF indicator. Two of these involved the use of snow scooters and two related to personal safety at electrical installations (electrical safety.)

Selected other improvement measures in 2021:

- Extensive training on the use of potentially hazardous work equipment
- E-learning to increase awareness around work in electromagnetic fields (EMFs)
- Preparation of traffic safety training for everyone who uses vehicles on company business, which will be implemented next winter.
- Statnett has taken a number of measures to record suppliers' willingness to report incidents and improvement proposals in projects.
- We have continued our efforts to encourage suppliers to take responsibility for HSE and electrical safety.

Covid-19 has continued to strongly impact daily life in 2021

The coronavirus situation is still affecting people's daily and working lives. The majority of Statnett's employees continued to work from home in 2021. Through working environment surveys and close dialogue with Statnett's various resource pools, we have closely monitored the working environment and implemented targeted measures where necessary. We have prioritised effective measures for young and new employees, while always safeguarding our critical functions. At the start of the pandemic, the measures largely related to practical matters such as ergonomics and technical equipment, while psychosocial measures have become more important the longer the pandemic has gone on.

The pandemic has made us realise that it is possible to deliver our projects despite having limited opportunities to meet in person. We will take these experiences on board when our staff start returning to the physical workplace. We are looking forward to being able to meet in person to strengthen the working environment and sense of community, and facilitate collaboration and competence sharing.

The coronavirus pandemic is placing an increasing strain on work schedules and finances in several of our projects due to reduced efficiency of work operations. Much of this is attributable to travel restrictions for foreign workers.

Investments and projects

Investments

In the first half of 2021, Statnett made total investments of NOK 3,231 million, compared with NOK 3,351 million in the first six months of 2020. These include investments related to commissioned grid projects, projects under construction, ICT and other investments, as well as acquisitions of grid infrastructure from other grid owners. Total investments for 2021 are expected to come in at around NOK 6.8 billion. The largest projects are shown in the table on the following page.

Important project-related events

Completed

- NordLink (inerconnector to Germany): The subsea power cable between Norway and Germany, as well as the converter stations on the Norwegian and German sides, went into ordinary commercial operation.
- Western Corridor: Hylen substation was commissioned in May (last of eight 8 new 420 kV substation installations in the project). As a result of the commissioning, the 420 kV Sauda–Hylen and the Hylen–Saurdal power lines were energised.
- Kristiansand Reinvestment 300 kV: The project was completed in June.
- Hofstad – increased transformation capacity: The project was completed in January.

Under construction

- North Sea Link (cable to the UK): Work to lay the subsea power cable between Norway and the UK was completed in June.
- Sogn – Ulven new cable connection and Klæbu new infrastructure centre: Decision taken to start execution phase.
- Hadselfjorden – refurbishment of cable installation: Licence granted by the NVE in January, but the Environment, Transport and Construction plan is yet to be approved.

Planned investments

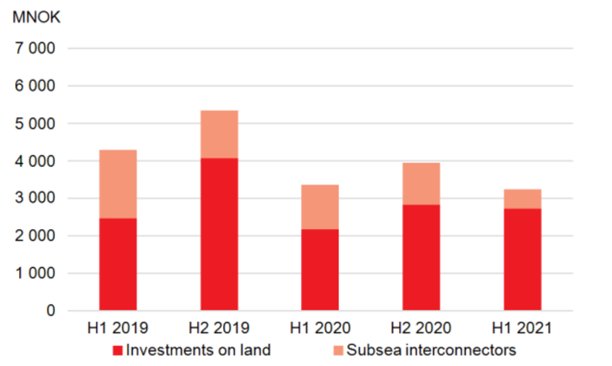
- Solution approved for the following projects: Lebesby–Seidafjellet, Bærheim new substation, Tegneby (Langerud) substation, Fana and Litle Sotra increased transformation, Cable Kollsnes–Lille Sotra (Øygards cable), Frogner Refurbishment control gear and switchgear, Sima–Samnanger reinforcement and Stølaheia new transformer substation (Krossberg).
- Investment decision approved for the following projects: Vinnelys new substation, Lindås – increased transformation capacity, Songa refurbishment control gear and Increased Transformer Capacity Moskog.
- Dale new substation (Dalekvam transformer substation): A licence application was submitted to the NVE in January, and the investment decision was approved in April.
- Licence application submitted to the NVE for the following projects: Orkdal – Transformer substation, Tokke refurbishment substation and Aurland I substation reinvestment

Digital development

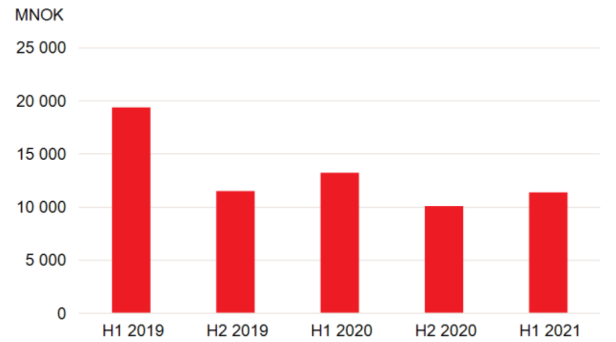
- New Nordic Balancing Model (NBM): Several building blocks for automation of the balancing system have been developed. Exchange of reserves between the Nordic TSOs started.
- IFS10: Upgraded version of Statnett's ERP system rolled out in May.
- Operations-critical data grid: Reinvestment decision approved.

A list of projects with a total cost of more than NOK 500 million is presented on the following page.

Development investments



Development plants and construction



	Unit	Target for 2021	H1 2021	H1 2020	2020
Finished power lines	Km	158	76	103	225
Commissioned field circuit breakers	Number	97	30	24	67

List of investment projects with a total cost of more than NOK 500 million*)

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

Project	Location	Expected investment (MNOK)
Completed		
Cable to Germany (NordLink)		
Under construction		
Western Corridor, voltage upgrade	South	6,400–6,500
Balsfjord–Skaidi, 420 kV power line	North	4,090–4,230
Sogn–Ulven, new 420 kV cable installation	East	2,020–2,520
Lyse–Fagrafjell, new power line and substation 2)	South	2,020–2,080
Smestad–Sogn substation and cable installation	East	1,530–1,570
Hamang, new transformer substation	East	900–960
Rød, refurbishment of control gear and switchgear equipment and increased transformation capacity	East	750–780
Sogn, transformer substation reinvestment	East	560–570
Kvandal–Kanstadbotn refurbishment	North	620–650
Salten, new substation solution	North	545–575
Sylling, reinvestment	East	545–565
Cable to UK (North Sea Link) 1)		MEUR 750–850
Final licences granted		
Åfjord–Snilldal, new 420 kV power line and cable installation	Central	1,900–2,700
Aurland–Sogndal, voltage upgrade 3)	West	940–1,050
Aura/Viklandet–Surna, voltage upgrade	Central	500–700
Planned investments and licences pending		
Skaidi–Hammerfest 420 kV power line	North	1,800–2,300
Skaidi–Lebesby (Adamselv), new 420 kV power line	North	1,550–1,740
Haugalandet grid reinforcement	West	1,150–1,350
Krossberg new substation (Støleheia)	West	585–640
Liåsen new substation	East	565–635
Vinnelys new substation	North	500–555
Karmøy reinvestment / new substation	West	530–640
Hamang–Bærum–Smestad 420 kV power line and Bærum substation 4)	East	240–320 / 1120–1370
Digital development		
Roll-out of operations-critical grid		528–565
New Nordic Balancing Model (NBM)		520–620

1) Statnett's share Exposure mainly in EUR, including for agreements with partners in the UK.

2) Cost range does not include clearance of the Stokkeland substation.

3) The crossing over Sogndalsfjorden is under appeal at the Ministry of Petroleum and Energy (OED).

4) Cost range relates to overhead/underground cable solution, where the underground cable solution includes costs for accelerated completion of the Bærum substation.

*) Total value of ongoing projects over NOK 500 million amounts to approximately NOK 32- 36 billion, in addition to this NSL in EUR in the table above.

The amounts in the table show the expected interval for project costs.
All costs for "Projects under construction" are shown at the current exchange rate, other projects are shown at 2021 rates, excl. interest on construction loans and currency hedging

Financial results

Operating revenue

In the first half of 2021, Statnett's consolidated operating revenue were NOK 5,279 million (NOK 4,776 million). Operating revenue from regulated activities accounted for NOK 5,145 million (NOK 4,631 million), while other operating revenue totalled NOK 134 million (NOK 146 million).

- Statnett has decided to decrease tariff revenue from the fixed tariff component, to alleviate the effects of the coronavirus pandemic. This has reduced total tariff revenue by NOK 567 million. This has among other been offset by a NOK 419 million increase in the energy component due to significantly higher power prices in 2021. Consequently, tariff revenue as a whole increased by a modest NOK 7 million in the first half of 2021.
- Congestion revenue in the first half of 2021 was NOK 446 million higher than the same period last year. The increase primarily follows from differences in power prices between Norway and respectively Sweden, Denmark, Netherlands and Germany. In addition the commissioning of NordLink gave rise to increased transmission capacity with international markets. The increase is also attributable to long-term outages on NordNed in 2020, while the operations was stable in 2021. Reduced transmission capacity within Norway due to maintenance work is contributing to high prices in South Norway and low prices in North Norway, and consequently high congestion revenue.

The Group's operating revenues are primarily regulated through a cap for permitted revenue established by the RME. In the first half of 2021, permitted revenue amounted to NOK 5,492 million (NOK 4,741 million). The higher permitted revenue is attributable to a higher revenue base following the completion of new installations, which has been offset by a slightly lower regulated rate of return as a result of lower market interest rates. Permitted revenue also increases in line with higher power prices. A higher revenue base due to expenses that are included in permitted revenue with a two-year time lag also increase permitted revenues.

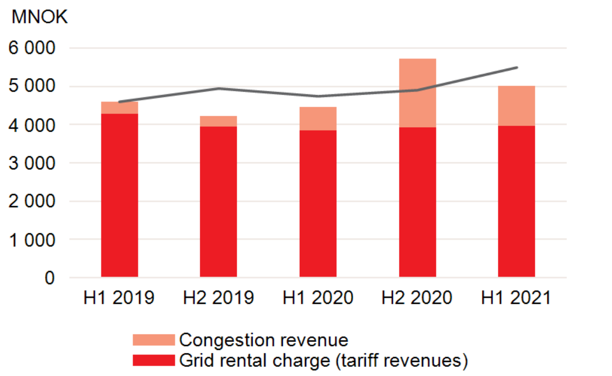
If actual revenues from grid operations deviate from permitted revenue in a year, this gives rise to higher or lower revenue. In the first half of 2021, Statnett recorded lower revenue (see Note 2) of NOK 349 million (NOK 113 million). At the end of June, accumulated lower revenue amounted to NOK 290 million. The lower revenue is mainly attributable to reduced tariff revenue following the decision to reduce the fixed tariff components for 2021, as well as higher permitted revenue. High congestion revenue is partially offsetting the increase in lower revenue. The lower revenue has not been recognised in the balance sheet.

Operating costs

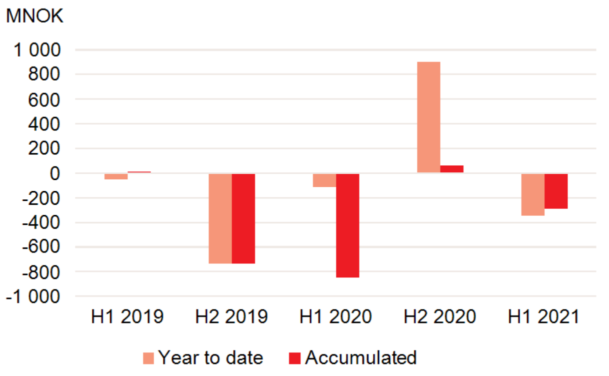
In the first half of 2021, total consolidated operating costs amounted to NOK 4,240 million (NOK 3,173 million).

- Higher costs for system services of NOK 314 million are primarily due to an increase in reserve power following a long period of cold winter weather and occasionally extremely high prices in the capacity market. In addition, the upgrading of the Western Corridor has increased the need for system regulation.
- Transmission losses rose by NOK 494 million on the back of higher power prices and a higher volume.
- Personnel costs increased by NOK 20 million. The increase follows from a higher headcount which was largely offset by higher hourly sales from investment projects.

Total operating revenue



Higher/ lower revenue



- Amortisation and impairments were up NOK 94 million due to completed installations and a higher level of capitalisation towards the end of 2020, including for the North Sea Link, Balsfjord–Skaidi and the Western Corridor.
- The increase in other operating costs of NOK 148 million relates to higher activities in digitalisation projects, development of IT systems for balance settlement and market coupling, and the roll-out of a new ERP system. In addition, costs of operation, maintenance and emergency preparedness agreements are increasing due to the purchase of infrastructure as a result of the EU's third electricity market package. Insurance premiums have increased due to the putting into operation of NordLink and damage to offshore interconnectors. Property tax increased by NOK 43 million.

Income statement

Statnett posted a consolidated operating profit of NOK 1,039 million in the first half of 2021 (NOK 1,604 million). The decrease is mainly due to extremely high power prices so far this year, compared with historically low power prices in 2020.

Consolidated net financial items closed on NOK -289 million (NOK -204 million).

- The decrease in financial income in the first half of 2021 is attributable to a received dividend of NOK 129 million in 2020 due to a change in ownership of the Nord Pool Group.
- Average net borrowings were NOK 7.9 billion higher in the first half of 2021, compared with the same period in 2020, while the borrowing interest rate was significantly lower (0.86 percentage points). This reduced financial costs by NOK 113 million.
- A reduction in the value of derivatives (NOK/SEK interest and currency swaps (NOK 18 million) and other securities (NOK 24 million) increased financial costs.

In the first half of the year, the Group posted a profit after tax of NOK 590 million (NOK 1,121 million). Adjusted for the change in higher/lower revenue not recognised in the balance sheet, the underlying profit after tax amounted to NOK 862 million (NOK 1,209 million). The reduction in the underlying profit is mainly attributable increased costs for system services as a result of high power prices, and other operating costs

Cash flow

The net cash flow for the period amounted to NOK 1,455 million (NOK 2,371 million).

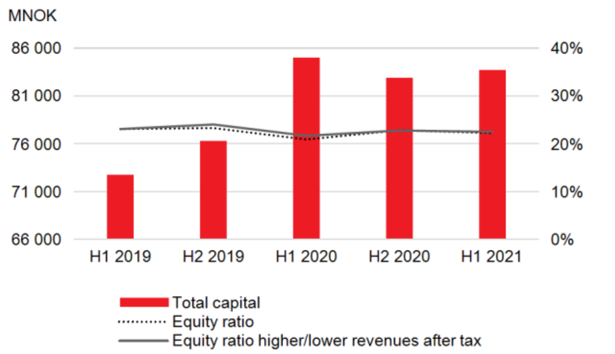
- The consolidated cash flow from operating activities closed the first half of the year on NOK 1,791 million (NOK 2,684 million).
- The net cash flow from investing activities came in at NOK -2,950 million (NOK -4,562 million).
- Total loan repayments of NOK 7,108 million were made, while new loans of NOK 11,700 million were taken out.
- At reporting date, consolidated cash and cash equivalents and market-based securities totalled NOK 3,914 million (NOK 4,792 million).
- Total consolidated unused drawing rights amounted to NOK 8,000 million.

Balance sheet

At the end of June, the Group had total assets of NOK 83,694 million (NOK 84,997 million).

- Interest-bearing liabilities totalled NOK 56,473 million (NOK 58,668 million), and included guarantees under the CSA scheme of NOK 4,329 million (NOK 7,836 million). The market value of recognised interest and currency swaps (fair value hedges) relating to interest-bearing liabilities amounted to NOK 4,728 million. Adjusted for the above, interest-bearing liabilities totalled NOK 51,745 million.
- Adjusted for higher/lower revenue, the equity ratio was 22.6 per cent at the end of the first half of the year (21.0 per cent). Adjusted for interest and currency swaps, the equity ratio was 23.9 per cent (23.5 per cent).

Balance sheet values and equity ratio



Outlook: Going green faster

The zero-emission society will result in radical changes in the European and Nordic power systems

Europe is on the way to a zero-emission society, at a constantly accelerating pace.

- The EU has adopted significantly more ambitious emission goals for 2030 (55 per cent decrease compared to 1990), where the emissions trading market has become a key tool.
- The finance sector has become an important driver of the transition.
- Technological and industrial developments in wind and solar power, batteries, electrolysis and other energy storage are steadily reducing costs.

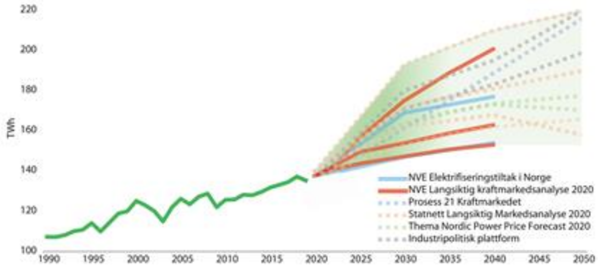
The power system in Europe and the Nordic region is in the midst of a radical transformation, with increased power consumption, more wind and solar power production, and the phasing out of fossil-fuel driven and nuclear power stations. Offshore wind farms are a key element of Europe's green shift, and a large proportion of the new generating capacity is expected to be built in the North Sea. Hydrogen will play a key role in the power system of tomorrow, partly by exploiting periods of surplus renewable power production.

Through joint climate pledges, increased power exchange capacity, shared regulations and market solutions, Norway is becoming more tightly woven into the European energy system. A combination of higher quota prices and more variable renewable power production increases price volatility in the markets and improving utilisation of transmission capacity, both in Norway and abroad.

The green transition is happening right now

Norway offers renewable and flexible power production and competitive power prices. This creates good conditions for further electrification and commercial development. Statnett expects to see a substantial increase in both electricity production and consumption in Norway in the coming decades. The number of enquiries from new businesses seeking to be connected to the grid is continuing to rise, and a number of existing industry and electrification projects are under development. Statnett's long-term market analyses show that power consumption in Norway could reach 220 TWh by 2050; however, this is by no means certain.

In the light of increased power demand , the importance of a renewed and strengthened transmission grid is increasing.



Historic temperature-adjusted consumption and estimated future Norwegian power consumption. Source: The Energy report Storting [no 36 (2020–2021)]

This means that Statnett will have to maintain a consistently high investment level.

At the same time, market and system solutions must be developed to manage larger fluctuations in the flow of power, more complex operations, new market instruments and European regulations. Statnett will intensify its efforts to develop system and market solutions at the national, Nordic and European levels in the years ahead. Statnett will also contribute to a rational development of a future-proof offshore power grid in the North Sea. Grid and market solutions for offshore wind power will require technological development, new collaboration models and new regulations.

Automated system operations will be essential for maintaining security of supply in a power system characterised by higher fluctuations and finer time resolution. Digital solutions and increased data exchange will also facilitate quicker processing of connection requests and open the way for new markets and new business models.

Statnett's sustainability goals will affect how new grid installations are constructed and operated and will also influence Statnett's optimalisation of its infrastructure. Statnett will therefore be part of the solution for a more sustainable society and contribute to the fulfilment of UN Sustainable Development Goals.

Statnett's strategy, *Going green faster*, addresses how the company will adapt to the quickening pace of the energy transition, become a driving force for zero-emissions and maintain efficiency and Norwegian competitiveness.

Comprehensive income statement

		First half		Year
(Amounts in NOK million)	Note	**2021**	**2020**	**2020**
Operating revenue				
Regulated operating revenue	2	5 145	4 631	10 522
Other operating revenue		134	146	240
Total operating revenue		**5 279**	**4 776**	**10 761**
Operating costs				
System services		548	234	600
Transmission losses		613	119	253
Salaries and personnel costs		595	575	1 137
Depreciation, amortisation and impairment	4	1 485	1 391	2 873
Other operating costs		1 000	852	2 030
Total operating costs		**4 240**	**3 173**	**6 893**
Operating profit		**1 039**	**1 604**	**3 868**
Financial income		29	195	209
Financial costs		318	399	658
Net financial items		**-289**	**-204**	**-449**
Profit before tax		**751**	**1 400**	**3 420**
Tax		161	278	723
Profit for the year		**590**	**1 121**	**2 697**
Other comprehensive income				
Changes in fair value for cash flow hedges		130	163	-246
Tax effect		-29	-36	54
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**101**	**127**	**-192**
Changes in estimate deviations of pension liabilities		36	-	-114
Tax effect		-8	-	25
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**28**	**-**	**-89**
Total other comprehensive income		**129**	**127**	**-280**
Total comprehensive income		**719**	**1 248**	**2 416**

Balance sheet

(Amounts in NOK million)	Note	**30.6.2021**	**30.6.2020**	**31.12.2020**
Assets				
Non-current assets				
Intangible assets		1 046	1 030	1 133
Tangible assets		60 918	54 944	60 296
Plants under construction	4	11 400	13 222	10 103
Investment in jointly controlled company and associates		120	116	108
Pension assets		84	99	27
Other non-current financial assets	3	5 030	8 765	6 344
Total non-current assets		**78 598**	**78 177**	**78 011**
Current assets				
Trade accounts and other short-term receivables	3	929	2 028	1 927
Market-based securities	3	1 401	1 094	1 635
Assets held for sale		254	-	254
Cash and cash equivalents	3	2 513	3 698	1 058
Total current assets		**5 096**	**6 820**	**4 874**
Total assets		**83 694**	**84 997**	**82 885**
Equity and liabilities				
Equity				
Contributed capital		5 950	5 950	5 950
Other equity accrued		12 668	11 820	12 988
Total equity		**18 618**	**17 770**	**18 938**
Long-term liabilities				
Deferred tax		3 289	2 765	3 086
Pension liabilities		259	259	275
Other liabilities		474	532	501
Long-term interest-bearing debt	3	48 627	48 373	47 442
Total long-term liabilities		**52 650**	**51 929**	**51 304**
Current liabilities				
Short-term interest-bearing debt	3	7 845	10 295	8 687
Trade accounts payable and other short-term debt	3	4 578	4 998	3 944
Tax payable		4	5	12
Total current liabilities		**12 426**	**15 298**	**12 644**
Total equity and liabilities		**83 694**	**84 997**	**82 885**

Changes in equity

(Amounts in NOK million)	Total equity	Other equity accrued	Other items	Contributed capital
01.01.2020	**17 783**	**11 801**	**33**	**5 950**
Profit/loss for the period	2 696	2 696	-	-
Other comprehensive income	-280	-89	-192	-
Dividends declared	-1 261	-1 261	-	-
31.12.2020	**18 938**	**13 147**	**-159**	**5 950**
01.01.2020	**17 783**	**11 801**	**33**	**5 950**
Profit/loss for the period	1 121	1 121	-	-
Other comprehensive income	127	-	127	-
Dividends declared	-1 261	-1 261	-	-
30.6.2020	**17 770**	**11 661**	**159**	**5 950**
01.01.2021	**18 938**	**13 147**	**-159**	**5 950**
Profit/loss for the period	590	590	-	-
Other comprehensive income	129	28	101	-
Dividends declared	-1 039	-1 039	-	-
30.6.2021	**18 618**	**12 726**	**-58**	**5 950**

Cash flow

(Amounts in NOK million)	Note	First half 2021	First half 2020	Year 2020
Cash flow from operating activities				
Profit before tax		751	1 400	3 419
Loss/gain(-) on sale of fixed assets		-4	-5	-13
Depreciation, amortisation and impairment		1 485	1 391	2 873
Paid taxes		-3	-3	-4
Interest recognised in the income statement		128	364	602
Interest received		5	11	22
Interest paid, excl. construction interest		-294	-428	-707
Changes in trade accounts receivable/payable		-1 506	561	699
Changes in other accruals		1 229	-607	-428
Net cash flow from operating activities		**1 791**	**2 684**	**6 463**
Cash flow from investing activities				
Proceeds from sale of tangible fixed assets		14	17	49
Purchase of tangible and intangible fixed assets and plants under construction	4	-2 789	-4 551	-8 505
Construction interest paid	4	-71	-152	-260
Changes in investment in joint ventures, associates and other companies		-9	-11	-9
Changes in long term loan receivables	3	-24	-	4
Changes in short term loan receivables	3	-71	-	-
Dividend received		-	135	135
Net cash flow from investing activities		**-2 950**	**-4 562**	**-8 586**
Cash flow from financing activities				
Proceeds from new interest-bearing debt	3	11 700	8 554	10 254
Repayment of interest-bearing debt	3	-7 108	-7 458	-8 484
Changes in collateral under CSA (Credit Support Annex) agreements		-2 280	3 151	1 923
Proceeds from sale of market-based securities	3	302	1 115	1 188
Purchase of market-based securities	3	-	-1 114	-1 764
Dividend paid		-	-	-1 261
Net cash flow from financing activities		**2 614**	**4 249**	**1 856**
Net cash flow for the period		1 455	2 371	-269
Cash and cash equivalents at the start of the period		1 058	1 327	1 327
Cash and cash equivalents at the close of the period		**2 513**	**3 698**	**1 058**

Selected notes

Note 1 – Accounting policies

These interim financial statements have been prepared in accordance with International Standards for Financial Reporting (IFRSs) and interpretations issued by the International Accounting Standards Board (IASB), including IAS 34. The interim financial statements do not contain all the supplementary disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements for 2020. The interim financial statements have not been audited.

The accounting policies applied for the interim financial statements are consistent with the accounting policies applied in the annual financial statements for 2020.

Note 2 – Operating revenue

The note present Statnetts Operating revenues and an alternative performance measure regulated by the RME.

Operating revenue

(Amounts in NOK mill)

	Year to date		Year
Operating revenue from regulated grid operations	**2021**	**2020**	**2020**
Tariff revenue	3 965	3 958	7 957
Congestion revenues	1 064	618	2 408
Income from other owners in shared grids	-8	-119	-221
Total operating revenue from regulated grid operations	**5 021**	**4 457**	**10 145**
Operating revenue from imbalance settlement	124	173	378
Total operating revenue from regulated activities	**5 145**	**4 631**	**10 522**
Other operating revenue	134	146	240
Total operating revenue	**5 279**	**4 776**	**10 761**

Permitted revenue regulated operations

(Amounts in NOK mill)

	Year to date		Year
Permitted revenue grid operations	**2021**	**2020**	**2020**
Revenue cap	4 424	3 797	7 464
Supplement to revenue cap	917	835	1 821
Total permitted revenue grid operations	**5 341**	**4 632**	**9 285**
Permitted revenue imbalance settlement			
Permitted revenue imbalance settlement	151	109	363
Total permitted revenue grid operations and imbalance settlement	**5 492**	**4 741**	**9 648**

Higher/lower revenue -This year's changed and total balance

(Amounts in NOK mill)

	Year to date		Year
Regulated grid operations	**2021**	**2020**	**2020**
This year's higher/lower revenue (-/+), not recognized	320	176	-859
This year's provision for interest higher/lower revenue (-/+), not recognized	-	4	3
Higher/lower revenue adjustment (-/+), not recognized	-	-3	79

This year's changed balance for higher/lower revenue (-/+)	**320**	**177**	**-777**
Balance higher/lower revenue (-/+), incl. interest as at 1. Jan	-110	667	667
Changed balance for higher/lower revenue (-/+), incl. interest	320	177	-777
Balance higher/lower revenue (-/+), incl. Interest, closing balance	**210**	**844**	**-110**

	Year to date		**Year**
Imbalance settlements	**2021**	**2020**	**2020**
This year's higher/lower revenue (-/+), not recognized	26	-64	-15
This year's Interest on change in balances, not recognized	3	-	-
Change in balance for Imbalance settlement	**29**	**-64**	**-15**
Balance higher/lower revenue (-/+)	50	65	65
Changed balance for higher/lower revenue (-/+)	29	-64	-15
Balance higher/lower revenue (-/+), closing balance	**79**	**1**	**50**

	Year to date		**Year**
Total balance higher/lower revenue	**2021**	**2020**	**2020**
Balance higher/lower revenue (-/+) 01.01	-60	732	732
Change in balance for Grid operations	320	176	-859
Change in balance for Imbalance settlement	26	-64	-15
Interest on change in balances	3	4	3
Prior years' adjustments	-	-3	79
Total balance higher/lower revenue (-/+), closing balance	**290**	**845**	**-60**

Note 3 –Financial instruments

The Note provides an overview of the carrying value and fair value of financial instruments, and how these are treated in the financial statements. The table also shows at which level in the valuation hierarchy the various measurement methods for the Group's financial instruments measured at fair value are included, based on the relative objectivity of the measuring methods.

(Amounts in NOK million) **Assets**	**Classification under IFRS 9**	**Measure-ment level**	**30.6.2021 Carrying value**	**30.6.2020 Carrying value**
Fixed assets				
Long-term receivables	Amortised cost	na	54	49
Subord. capital in Statnett SF's pension fund	Amortised cost	na	75	75
Financial assets available for sale	Fair value through P/L	3	3	3
Derivatives	Fair value through P/L	2	4 899	8 637
Derivatives, non-interest bearing	Fair value through P/L	2	-	1
Total financial fixed assets			**5 030**	**8 765**
Current assets				
Trade accounts receivable	Amortised cost	na	139	102
Derivatives	Fair value through P/L	2	-	659
Derivatives, non-interest-bearing	Fair value through P/L	2	7	88
Other short-term receivables	Amortised cost	na	784	1 179
Total trade accounts and other short-term receivables			**929**	**2 028**
Market-based securities	Fair value through P/L	1	**1 401**	**1 094**
Liquid assets	Fair value through P/L	1	**2 513**	**3 698**
Other liabilities				
Derivatives, non-interest-bearing	Fair value through P/L	2	1	6
Other liabilities	Amortised cost	na	473	526
Total other liabilities			**474**	**532**
Liabilities				
Other long-term interest-bearing debt	Amortised cost	2	48 432	47 878
Lease liability	Amortised cost	na	195	184
Derivatives	Fair value through P/L	2	-	311
Total long-term interest-bearing debt			**48 627**	**48 373**
Other short-term interest-bearing debt	Amortised cost	2	7 801	10 264
Lease liability	Amortised cost	na	35	31
Total short-term interest-bearing debt			**7 845**	**10 295**
Trade accounts payable and other short term debt				
Trade accounts payable and other short term debt	Amortised cost	na	4 517	4 946
Derivatives, non-interest-bearing	Fair value through P/L	2	60	52
Total trade accounts payable and other short-term debt			**4 578**	**4 998**

Fair value of Other interest bearing debt recognised at amortised cost	**30.6.2021**	**30.6.2020**
	Fair value	**Fair value**
Other long-term interest-bearing debt	47 794	49 196
Other short-term interest-bearing debt	3 002	10 264
Total Other interest bearing debt	**50 796**	**59 460**

	30.6.2021	**30.6.2020**
Total measurement levels	**Carrying value**	**Carrying value**
Level 1	1 401	1 094
Level 2	-51 398	-49 126
Level 3	78	78

There has not been any transfers between the measurement levels during the period.

Fair value

The fair value of forward exchange contracts is established using the forward rate at the balance sheet date. The fair value of currency and interest swaps is calculated as the present value of future cash flows. Fair values are mainly confirmed by the financial institutions with which Statnett has entered an agreement. The fair value of financial assets, trade payables and other current and interest-bearing liabilities are measured at amortized cost using the effective interest method.

Due to their short-term nature, the carrying value of financial instruments such as available-for-sale financial assets, trade and other current receivables, cash and cash equivalents, trade and other current payables is deemed to be a fair estimate of fair value.

Measurement of financial instruments

The Group applies the following hierarchy to measure and present the fair value of financial instruments:

Level 1: Fair value is measured using listed prices from active markets for identical financial instruments. No adjustment is made for these prices.

Level 2: Fair value is measured using other observable inputs than those used at level 1, either directly (prices) or indirectly (derived from prices).

Level 3: Fair value is measured using input that is not based on observable market data.

Listed shares, money market and interest funds, bonds and certificates are deemed to be Level 1 since the securities are listed on a stock market and freely tradable and are measured at the most recent quoted price. Non-listed shares and shareholdings are valued based on the company's financial statements and are therefore deemed to be Level 3.

Derivatives are deemed to be Level 2. The currency element of forward exchange rates is measured at observable market prices using rates from Norges Bank. The fair value of forward exchange contracts also takes account of the interest element inherent in the individual contract.

Note 4 Plants under construction

(Amounts in NOK million)	**2021**	**2020**
Acquisition cost at 1 January	10 081	11 505
Additions	2 730	3 199
Capitalised construction interest	71	152
Transferred to tangible and other intangible fixed assets	-1 496	-1 588
Write-offs	-14	-26
Acquisition cost at 30 June	**11 372**	**13 241**
Hedge accounting effects	27	-20
Plants under construction at 30 June	**11 400**	**13 222**

Contractual obligations
Total contractual commitments as of 30 June 2021 amounted to NOK 4.9 billion. The total relates to development projects where future contractual commitments are greater than NOK 50 million.

Declaration from the Board of Directors and CEO

We confirm that, to the best of our knowledge, the interim financial statements for the period 1 January to 30 June 2021 have been prepared in accordance with IFRSs and that the disclosures in the financial statements fairly present the company's and the Group's assets, liabilities, financial position and performance as a whole. We further declare, to the best of our knowledge, that the information contained in the Interim Report from the Board of Directors for the first six months of 2021 fairly presents the performance, results and position of the company and the Group, together with a description of the key risk and uncertainty factors facing the enterprise.

Oslo, 27 August 2021
Statnett SF's Board of Directors

Jan Fredrik Baksaas
Chair

Tove Pettersen
Board member

Maria Sandsmark
Board member

Egil Gjesteland
Board member

Wenche Teigland
Board member

Christian Reusch
Board member

Ingeborg Ligaarden
Board member

Ole Bjørn Kirstihagen
Board member

Steinar Jøråndstad
Board member

Hilde Tonne
CEO

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