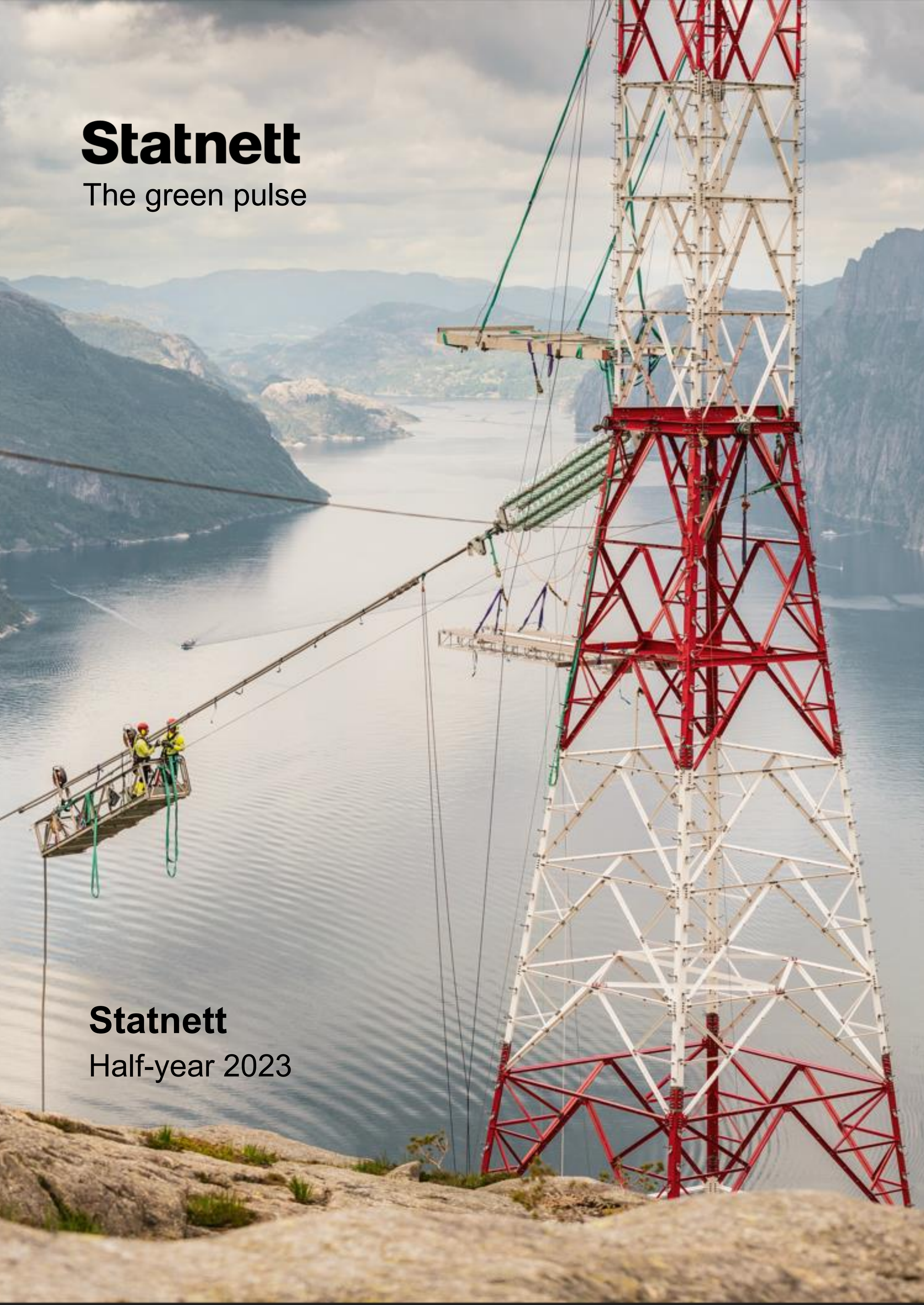

Statnett

The green pulse

Statnett

Half-year 2023

Contents

Half-year 2023

Congestion revenue
NOK 4,347 million

Grid portfolio
NOK 53,400 million

Extraordinary transfers to the customers
NOK 2,410 million

No. of ongoing grid projects
161

Underlying net profit
NOK 970 million

Investments
NOK 2,752 million

Letter from the CEO

The war in Ukraine continues to affect energy markets in Norway and Europe, and we are still seeing high power prices and larger price differences than in previous years. The market turbulence did however diminish during first half of 2023. The Norwegian reservoir levels returned to normal, and security of supply is currently considered good. Overall, Statnett considers the power situation in Norway to have normalised.

Power system crucial for achieving net zero

As Norway's transmission system operator (TSO), it is Statnett's responsibility to operate and develop the country's power grid in a socioeconomically rational manner. Our strategy must ensure a power system that enables a net zero society and facilitates the establishment of new industrial activity in Norway. This requires accelerated and efficient expansion of the grid while fully exploiting its existing capacity. Statnett has ambitious plans to reinforce and expand today's power grid throughout the country and is substantially ramping up its construction activities to enable this. An example from first half of 2023 was the completion of the large transmission line project Lyse-Fagrafjell, securing the electricity supply in Southern Rogaland.

At present, both new industrial ventures and companies seeking to electrify their operations are showing considerable interest in connecting to the power grid. The establishment of new and profitable business in Norway depends on increased grid capacity and a significant increase in power generation in the years to come. Statnett's analysis shows that Norway is heading towards a power deficit within a few years. Investments are hence needed in both new transmission grid and new power production. With Statnett's 10 Area Plans and target grid for 2040, we are ready to deliver on the necessary new grid capacity.

Investment in offshore wind power generation will be an important factor in securing sufficient power production in the years after 2030. In June, the Norwegian Ministry of Petroleum and Energy commissioned Statnett to investigate potential hybrid grid solutions. At the same time, the Ministry assumes that Statnett will build and own any potential future hybrid interconnectors for offshore wind power. The government has previously decided to give Statnett system operator and planning authority for the offshore grid.

Results reflect fluctuations in revenues

Lower congestion revenues, reimbursement of extraordinary congestion revenues and decreased tariff charges to grid customers caused a net loss for the first half of 2023. The underlying net profit was however strong and exceeded last year's result.

Holding steady in uncertain times

Although the situation in the power market has stabilised at a more normalised price level, the outlook remains uncertain. Europe is on its way to become a net zero society, which entails major changes in energy markets and the operation of an entirely new energy system. Weather dependent power sources will cause greater price volatility both daily and from hour to hour. To improve the ability to handle these changes, Statnett is working diligently to automate the operation and balancing of the power system. This autumn, Statnett will present an updated System Development Plan, which will provide a complete picture of upcoming changes in the power system and our plans to meet the future need for electrical power. So far this year, we have approved the installation of 98 km of new power lines. As a consequence of the extensive upcoming investment program, the current balance sheet of NOK 91 billion will increase substantially in the years ahead. Efforts to enable the organisation to deliver on this is progressing according to plan.

After the COVID-19 pandemic, we have experienced bottlenecks and rising costs on the supply side. Statnett is working actively to improve strategic planning and increase predictability of the supply chain. We focus on safety and sustainability in everything we do and aim at having an open dialogue with all our stakeholders. We are looking forward to continuing our efforts into the green transition.

CEO Hilde Tonne

Financial key figures

For definitions, see the section on alternative performance measures towards the end of this report.

	Half-year		Year
Key figures (Amounts in NOK million)	**2023**	**2022**	**2022**
Accounting profit			
Operating revenue	**4 014**	12 616	22 993
Operating profit/loss before depreciation, amortisation and impairment (EBITDA)	**-923**	8 252	11 503
Operating profit/loss (EBIT)	**-2 495**	6 705	8 433
Net profit for the period	**-2 539**	4 921	5 949
Adjustments			
Change in accumulated higher/lower revenue (-/+) before tax	**4 499**	-5 545	-6 868
Change in accumulated higher/lower revenue (-/+) after tax	**3 509**	-4 325	-5 357
Accumulated higher/lower revenue (-/+) before tax	**-4 779**	-7 955	-9 278
Underlying profit (adjusted for change in higher/lower revenue)			
Underlying operating revenue	**8 513**	7 071	16 125
Underlying EBITDA	**3 576**	2 707	4 635
Underlying EBIT	**2 004**	1 160	1 565
Underlying net profit for the period	**970**	596	592
Key figures balance sheet			
Investments (additions, facilities under construction and purchased grid infrastructure)	**2 752**	2 162	4 985
Equity	**24 522**	26 071	26 978
Equity, underlying	**20 794**	19 866	19 741
Total assets	**91 343**	86 211	87 184
Financial key figures			
Return on shareholders' equity	**-18.7 %**	45.7 %	24.6 %
Return on shareholders' equity, underlying	**9.8 %**	6.1 %	3.0 %
Equity ratio	**26.8 %**	30.2 %	30.9 %
Equity ratio, underlying	**22.8 %**	23.0 %	22.6 %
Debt coverage ratio	**-8.5 %**	38.5 %	26.4 %
Debt coverage ratio, underlying	**10.4 %**	7.6 %	7.8 %
Credit rating (Standard Poor's / Moody's)	**A+ / A2**	A+ / A2	A+ / A2

Sustainability and HSE

Sustainability

Given Statnetts's role in the low emission society, we meet increasing demands and expectations. We are member of the United Nations' corporate sustainability initiative, the UN Global Compact, and report annually on our sustainability performance, most recently in Statnett's Annual and Sustainability Report 2022.

Statnett aims to reduce emissions in line with the Paris Agreement's goal of limiting global warming to 1.5°C. Our emission reduction targets and initiatives in the years to 2030 and 2050 must be credible and third-party verified. The Science Based Targets initiative (SBTi) is a coalition of leading climate and environment-related bodies that helps organisations to set and verify science-based climate targets and goals. In April 2023, we submitted a letter of commitment to the SBTi.

In the first half of 2023, Statnett had six environmental incidents linked to our operations[1]. For five of these cases, the impact has been identified, and remedial measures have been implemented. The sixth incident was linked to Statnett's non-compliance with the regulations covering the storage of creosote-impregnated wooden pylons. The evaluation of the environmental damage and potential initiatives of this incident will be assessed when the pylons are relocated to a new, permanent storage facility.

We aim to increase the proportion of women in the workforce and strengthen diversity. In June 2023, women made up 27.8 per cent of Statnett's workforce.

HSE

The development and operation of transmission grids involve a high inherent HSE risk. Efforts to provide a safe workplace is a high priority for Statnett. We work systematically to analyse and implement lessons learnt from health and safety-related incidents (including near-misses) experienced by contractors and in Statnett's own operations.

The number of incidents with the potential to cause serious harm decreased in the first half of 2023. The decrease was greatest among Statnett's suppliers and contractors. Five lost-time injuries were recorded in the period – four among Statnett's own workforce and one among external, project-related personnel. As a result of these injuries, the lost-time injury frequency rate (LTIFR) for Statnett's own employees rose slightly, while the LTIFR for contractors decreased during the first half of the year.

Several initiatives have been implemented to reduce the risk of injuries to contractors' personnel and Statnett's own workforce. These include updating their HSE training and streamlining the process of creating HSE plans for projects and on-site activities.

The requirements related to electrical safety-planning and risk assessment, have been clarified, for both contractors and for Statnett's own operations.

At the start of Q3 2023, the Group employed a total of 1,730 people, with 1,662 at Statnett SF and 68 for its subsidiaries.

The frequency of sickness absence in the first half of 2023 totalled 3.6 per cent, much the same as in the corresponding period last year, when it was 3.8 per cent.

	Half-year		Year
	2023	2022	2022
Serious Incident Frequency (SIF)	5	6	17
Serious Incident Frequency (SIF) rate [1)]	3.8	3.1	4.1
Lost-time injuries (LTI), own employees	4	2	3
Lost-time injuries (LTI), contractors	1	4	9
LTIFR, own employees [2)]	1.7	0.7	1.0
LTIFR, incl. contactors [2)]	2.6	1.7	2.9
Sickness absence	3.6 %	3.8 %	4.1 %
Women in the workforce	27.8 %	27.0 %	27.2 %

[1)] Number of serious (red) incidents involving injuries, near misses, environmental harm and hazardous conditions relating to electrical safety and working at height per million working hours.
[2)] Lost-time injury frequency rate (LTIFR), number of lost-time injuries per million hours worked.

[1] The number of environmental incidents recorded at the close of the first half is provisional. The final number will be published in the next annual report.


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Operating and market information

The power situation returned to normal during the winter

Following improvement throughout the autumn of 2022, Statnett now considers that the power situation is back to normal across the country. By the end of the first half of 2023, the hydrological balance was materially better than at the same time last year. Through the winter, Statnett collected data and submitted weekly reports to the authorities on flexible power production in Southern Norway. This arrangement will resume with effect from August. Despite the continued uncertainty, the energy situation in Europe has also improved.

Security of supply in the first half of 2023 has been satisfactory. There were periods of high winds at the start of the year, which led to short outages on some power lines in Western, Central and Northern Norway, but no longer downtime. There were several brief outages on the international interconnectors.

The storm Hans hit Norway in August. This major weather event had no significant impact on Statnett's installations.

Lower electricity prices in Southern Norway, but price differences between north and south persist

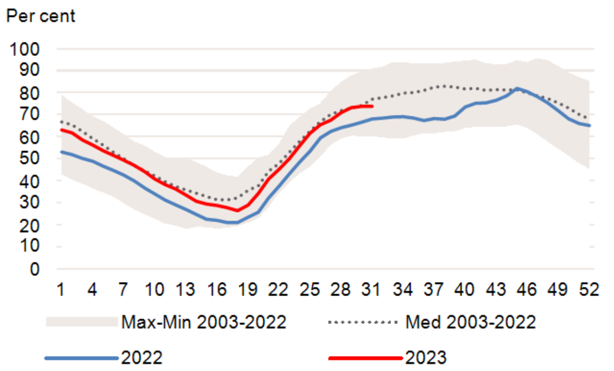
In line with the improved supply situation in Norway, the Nordic region and the rest of Europe, average electricity prices have fallen. There have been periods of increased water flow to hydropower plants, combined with high import levels due to an abundance of electricity from European solar and wind power facilities. In May, this resulted in negative prices during some hours. On 28 May, the price of electricity fell to NOK -0.12/kWh in Southern Norway. Meanwhile, the price in the Netherlands was NOK -4.70/kWh. This was due to low consumption and high volumes of wind and solar power being produced in the Netherlands.

The first half of 2023, like the same period last year, was characterised by a materially better power situation in the north of Norway than in the south, and little capacity to transfer power between the regions. Although the power situation has improved and prices have fallen in Southern Norway, substantial price differences within Norway have persisted. Transmission capacity was further reduced due to restrictions at the Aurland transformer station. These restrictions were remedied during the summer. In the first half-year of 2023, Norway produced a total of 76 TWh, while consumption came to 68 TWh. This resulted in net exports of approx. 8 TWh.

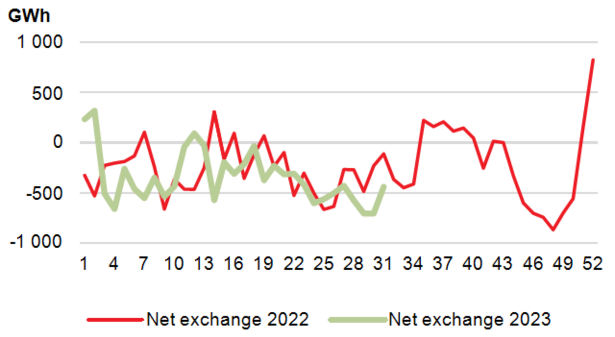
Restrictions on international interconnectors

Availability on the international interconnectors improved in the first half of 2023, although some restrictions remain. There were brief outages on the NordLink interconnector between Norway and Germany in the first half-year. Capacity on the NorNed interconnector between Norway and the Netherlands is currently reduced due to a weakness in the cable on the Dutch side. This is scheduled to be remedied by the end of the year. The Skagerrak interconnectors between Norway and Denmark have experienced periods of reduced capacity due to maintenance and upgrade work. Norway had slightly reduced outbound transmission capacity on the North Sea Link (NSL) between Norway and the UK to facilitate the balanced exchange of power in line with the scheme's licensing terms. Full two-way trading capacity on the NSL interconnector has been in effect since 23 June.

Reservoir water levels Norway



Net exchange Norway



Risk management and internal control

Statnett's risk management and internal control procedures aim at ensuring that we develop and operate the power transmission grid in a socioeconomically rational manner. Risk management is an integrated part of Statnett's corporate governance, and the risk picture is assessed on a quarterly basis by Group Management and the Board of Directors. We identify risks and implement actions to mitigate these. Statnett is exposed to both financial and non-financial risks. For further information about the Group's risk management process, please see the annual report.

Financial results

Lower revenues result in a net loss

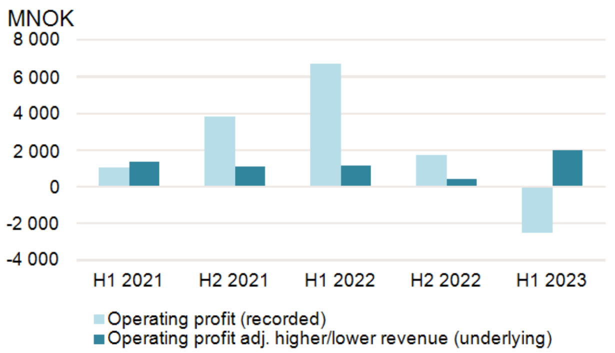
For the first half of 2023, the group reported a net loss of NOK 2,539 million. This compares to a net profit of NOK 4,921 million in the same period last year. The Group had an operating loss of NOK 2,495 million in the first half of 2023, down from an operating profit of NOK 6,705 million in the same period last year.

The Group's underlying net profit, adjusted for lower revenue, was NOK 970 million in the first half of 2023. This is an increase from NOK 596 million in the corresponding period last year. The underlying operating profit, adjusted for lower revenue, was NOK 2,004 million, compared with NOK 1,160 million in the first half of 2022. The improvement in underlying profit is largely attributable to the increase in permitted revenue due to higher grid capital and higher interest rates.

During a year, the financial result under IFRS and the underlying result will normally differ because actual operating revenues from regulated activities differ from the permitted revenue. The Group's operating revenues are primarily regulated through a cap on permitted revenue established by the Norwegian Energy Regulation Authority (RME). The difference between the profit/loss under IFRS and the underlying profit/loss is called higher/lower revenue. Any higher revenue will be returned to customers via a reduction in future tariffs, while any lower revenue can be recovered via an increase in future tariffs.

In the first half of 2023, actual operating revenues from regulated activities were significantly lower than the permitted revenue. A regulatory amendment adopted in the autumn of 2022 has enabled Statnett to reimburse higher revenue by compensating the owners of underlying power grids for the increased cost of their transmission losses. As a result of extraordinarily high revenues in 2022, Statnett decided to lower both the fixed element and the energy element of the tariff. The decision to set the fixed element of the consumption tariff to zero and charge a minimum price on the energy element was rolled over to 2023.

Operating profit before tax

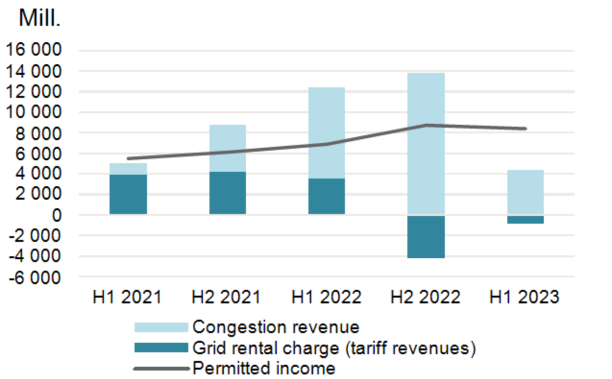


Operating revenue

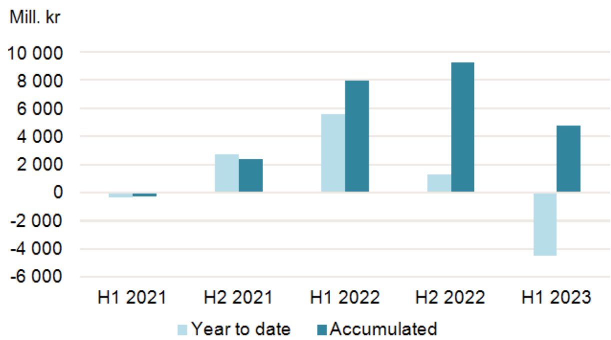
The Group's operating revenues totalled NOK 4,014 million in the first half of 2023, compared with NOK 12,616 million in the first half of 2022. Due to the reduction in price differences and restricted transmission capacity both to Europe and within Norway, congestion revenues were substantially lower. Operating revenues were further reduced because of the extraordinary reimbursement of funds to grid owners and Statnett's decision to reduce the grid tariff.

Permitted revenue from regulated grid activities rose to NOK 8,204 million in the first half of 2023, from NOK 6,709 million in the first half of 2022. The change is partly attributable to increased grid capital, higher interest rates and increased depreciation due to the completion of several projects, as well as higher ancillary costs in 2021 than in 2020.

Operating revenue



Higher/ lower revenue



Due to decreased congestion revenue, extraordinary reimbursement to underlying grid companies and reduction in tariff revenue, Statnett reported a lowered revenue in the amount of NOK 4,499 million for first half of 2023. This compares with NOK 5,545 million in the same period last year. The company repaid NOK 2,410 million to underlying grid companies in the period, in line with the previously mentioned regulatory amendment from the autumn of 2022. Higher/lower revenue is not reported in the balance sheet. Per 30 June 2023, Statnett had accumulated higher revenue amounting to NOK 4,779 million. See the note to the financial statements concerning operating revenues.

Operating expenses

The Group's operating expenses rose to NOK 6,509 million in the first half of 2023, up from NOK 5,911 million in the first half last year. A large portion of the increase is attributable to higher costs related to cross border compensation and expenses regarding to Statnett's obligation to maintain an instantaneous balance in the power system and safeguard a satisfactory quality of supply.

Transmission losses were reduced primarily due to lower electricity prices.

Other operating expenses rose, in part due to higher maintenance costs and increased digitalization activities.

Financial items

Net financial items for the Group totalled NOK -767 million, compared to NOK -392 million in the corresponding period last year. Interest expenses rose due to higher interest rates and a higher average net debt. Higher unrealized gains on foreign exchange and interest income on market-based securities generated a higher interest income.

Cash flow and balance sheet

The Group generated a net cash flow of NOK 1,253 million in the first half of 2023, compared with NOK 1,316 million in the same period last year. Cash flow from operating activities in the Group was lower than last year due to lower congestion revenues, the extraordinary reimbursement to grid owners and the reduction in tariff revenues. The net cash flow related to investment activities increased compared to last year as a result of increasing activity.

The change in liquidity from financing includes the net effect of the repayment of NOK 5,825 million in interest-bearing debt and issuing NOK 9,962 million of new interest-bearing debt. In addition, a dividend of NOK 296 million was paid.

Statnett SF has a high credit rating. Standard & Poor's and Moody's have given Statnett SF credit ratings for long-term borrowings of A+ and A2 respectively. The high credit rating gives Statnett SF good borrowing opportunities. In the first half, Statnett issued two green bond loans in the amount of SEK 3.1 billion and EUR 500 million, respectively, as well as a commercial paper of NOK 1 billion, which was redeemed in February. In March 2023, Statnett renewed its revolving credit facility amounting to NOK 8 billion. At the close of the first half of 2023, Statnett also had a loan from the European Investment Bank in the amount of EUR 130 million that was undrawn.

Total assets rose to NOK 91,343 million in the first half of 2023, up from NOK 86,211 million in the same period last year. Interest-bearing debt totalled NOK 55,517 million, compared with NOK 49,104 million in the first half of 2022. Equity decreased by NOK 1,548 million to NOK 24,522 million at the end of the first half of 2023. The Group's equity ratio similarly decreased from 30.2 per cent to 26.8 per cent. Adjusted for higher revenue, the Group's underlying equity ratio was 22.8 per cent at the end of first half of 2023, 0.2 percentage points lower than at the same date of 2022.

Investments and commissioned grid facilities

Statnett invested a total of NOK 2,752 million in the first half of 2023, up from NOK 2,162 million in the corresponding period last year. The investments included both completed and ongoing grid infrastructure projects, cables, the purchase of grid facilities and digitalisation activities.

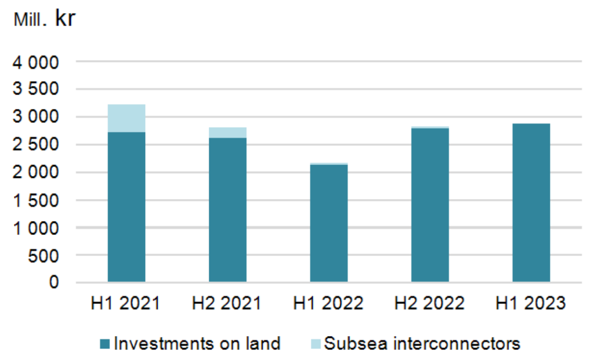
Grid infrastructure portfolio enables increased capacity

In line with the strategy, Statnett is increasing its activities and investments in the grid infrastructure. So far this year, Statnett has completed the major Lyse–Fagrafjell grid investment project in Rogaland, which will secure enough electrical power in South Rogaland and enable further increases in consumption.

During the first half-year, 16 new projects have been launched. The largest is the voltage upgrade in the area surrounding Bamble, Porsgrunn and Tønsberg, which will enable the connection of additional consumption in the Grenland district.

So far this year, the company has made investment decisions relating to a total of 98 km of transmission lines and 127 fields. The Sogndal–Modalen–Kollsnes project will improve security of supply to the Bergen region and enable increased consumption. Furthermore, the new transformer station at Krossberg will help to reinforce the supply of electricity and enable increased consumption in Northern Jæren. Construction of the Eiker transformer station will ensure increased capacity and be a hub for further grid developments in Telemark and Vestfold. A project has also been initiated to investigate temperature upgrades on almost 100 existing overhead power lines nationwide, which would increase grid capacity quickly and efficiently.

Investments Statnett Group



In the first half of 2023, Statnett was granted a permit to replace the existing transformer station at Ulven in eastern Oslo, to enable higher consumption and meet the need for greater capacity. We were also granted a permit to renew the Orkdal transformer station, which will ensure stable electricity supply in the area around Orkanger. In August this year, Statnett received final permission for the Skaidi–Hammerfest transmission line. This line will increase grid capacity within Finnmark County and improve security of supply, enable business development and provide sufficient power for the electrification of the Hammerfest LNG plant at Melkøya.

A high activity level and the initiation of many new projects are expected going forward.

Digitalisation contributes to necessary transformation, increased efficiency and high grid utilisation

Transition to a more climate-friendly energy supply creates a huge demand for new solutions and competence in the company's core areas. Innovation and technology development are therefore important.

Statnett has a strategic plan for digitalisation and innovation in the coming five years. All related initiatives are prioritised through a holistic portfolio management process. The New Nordic Balancing Model (NBM), which will transform how the power system operates, is one of the largest ongoing digitalisation projects. Automation is necessary to maintain stable and secure supplies of electricity as efficiently as possible in a power system that is undergoing huge changes. Another major project is the upgrade of the data nett to safeguard data security and enable the scaling up of Statnett's digital infrastructure. In addition, collaboration in the sector has been reinforced through the establishment of the digitalisation company ElBits, whose purpose is to digitalise planning and customer-related processes.

Comprehensive income statement

		Half-year		Year
(Unaudited amounts in NOK million)	Note	**2023**	**2022**	**2022**
Operating revenue				
Revenue from regulated activities	2	3 755	12 387	22 243
Other operating revenue		260	230	750
Total operating revenue		**4 014**	**12 616**	**22 993**
Operating expenses				
Ancillary services		1 564	1 109	3 788
Transmission losses		1 301	1 448	3 920
Salaries and payroll expenses		722	663	1 354
Depreciation, amortisation and impairment	4	1 572	1 547	3 070
Other operating expenses		1 350	1 144	2 427
Total operating expenses		**6 509**	**5 911**	**14 560**
Operating profit		**-2 495**	**6 705**	**8 433**
Financial income		163	13	180
Financial expenses		931	405	983
Net financial items		**-767**	**-392**	**-803**
Profit before tax		**-3 262**	**6 313**	**7 630**
Tax expense		-724	1 392	1 680
Net profit		**-2 539**	**4 921**	**5 949**
Other comprehensive income				
Changes in fair value for cash flow hedges		408	538	524
Tax effect		-90	-118	-115
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**318**	**420**	**409**
Changes in estimate deviations of pension liabilities		79	-	-142
Tax effect		-17	-	31
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**61**	**-**	**-111**
Total other comprehensive income		**379**	**420**	**298**
Total comprehensive income		**-2 159**	**5 340**	**6 248**

Balance sheet

(Unaudited amounts in NOK million)	Note	**30.6.2023**	**30.6.2022**	**31.12.2022**
Assets				
Non-current assets				
Intangible assets		1 650	1 657	1 807
Tangible assets		70 033	66 311	68 247
Assets under construction	4	6 118	7 139	6 291
Investments in jointly controlled companies and associates		173	157	169
Pension assets		181	164	33
Derivatives	3	5 302	3 979	3 333
Other non-current financial assets	3	126	123	122
Total non-current assets		**83 584**	**79 529**	**80 002**
Current assets				
Inventories		16	5	8
Trade accounts and other short-term receivables	3	1 064	1 284	1 929
Market-based securities	3	2 790	1 435	2 725
Assets held for sale		-	254	-
Derivatives	3	128	-	13
Cash and cash equivalents	3	3 760	3 703	2 507
Total current assets		**7 759**	**6 682**	**7 182**
Total assets		**91 343**	**86 211**	**87 184**
Equity and liabilities				
Equity				
Contributed capital		5 950	5 950	5 950
Hedge reserve		800	493	482
Other equity accrued		17 772	19 628	20 546
Total equity		**24 522**	**26 071**	**26 978**
Long-term liabilities				
Deferred tax liability		5 219	5 590	5 805
Pension liabilities		264	270	247
Other liabilities		823	586	654
Derivatives	3	1 010	489	838
Long-term interest-bearing debt	3	45 143	41 665	38 407
Total long-term liabilities		**52 458**	**48 601**	**45 951**
Current liabilities				
Short-term interest-bearing debt	3	10 375	7 439	8 969
Trade accounts payable and other short-term debt	3	3 975	3 883	5 016
Derivatives	3	1	205	226
Tax payable		12	13	45
Total current liabilities		**14 362**	**11 540**	**14 255**
Total equity and liabilities		**91 343**	**86 211**	**87 184**

Changes in equity

(Unaudited amounts in NOK million)	Total equity	Other equity accrued	Hedge reserve	Contributed capital
01.01.2022	**21 467**	**15 443**	**73**	**5 950**
Profit/loss for the period	5 949	5 949	-	-
Other comprehensive income	298	-111	409	-
Dividends declared	-737	-737	-	-
31.12.2022	**26 978**	**20 546**	**482**	**5 950**
01.01.2022	**21 467**	**15 444**	**73**	**5 950**
Profit/loss for the period	4 921	4 921	-	-
Other comprehensive income	420	-	420	-
Dividends declared	-737	-737	-	-
30.6.2022	**26 071**	**19 628**	**493**	**5 950**
01.01.2023	**26 978**	**20 546**	**482**	**5 950**
Profit/loss for the period	-2 539	-2 539	-	-
Other comprehensive income	379	61	318	-
Dividends declared	-296	-296	-	-
30.6.2023	**24 522**	**17 772**	**800**	**5 950**

Cash flow

(Unaudited amounts in NOK million)	Note	Half-year 2023	Half-year 2022	Year 2022
Cash flow from operating activities				
Profit before tax		-3 262	6 313	7 630
Loss/gain (-) on sale of fixed assets		-3	-24	-56
Depreciation, amortisation and impairment		1 572	1 547	3 070
Net taxes paid		-2	-1	-4
Interest recognised in the income statement		721	344	814
Interest received		196	25	109
Interest paid, excl. construction interest		-942	-373	-889
Proceeds from sale of market-based securities		177	179	723
Purchase of market-based securities		-155	-172	-1 973
Changes in trade accounts receivable		247	-17	-63
Changes in trade accounts payable		-168	-35	329
Changes in other accruals		-790	-427	-416
Net cash flow from operating activities		**-2 409**	**7 359**	**9 274**
Cash flow from investing activities				
Proceeds from sale of tangible fixed assets		7	129	480
Purchase of tangible and intangible fixed assets and assets under construction	4	-2 421	-2 300	-4 926
Construction interest paid	4	-122	-72	-176
Capital contribution to subsidiary		-	-14	-
Changes in investment in joint ventures, associates and other companies		-	-	-22
Dividend received		14	7	7
Net cash flow from investing activities		**-2 522**	**-2 250**	**-4 637**
Cash flow from financing activities				
Proceeds from new interest-bearing debt	3	9 962	-	1 000
Repayment of interest-bearing debt	3	-5 825	-1 794	-2 766
Changes in collateral under CSA (Credit Support Annex) agreements		2 344	-1 262	-2 014
Dividend paid		-296	-737	-737
Net cash flow from financing activities		**6 184**	**-3 793**	**-4 518**
Net cash flow for the period		1 253	1 316	120
Cash and cash equivalents at the start of the period		2 507	2 387	2 387
Cash and cash equivalents at the close of the period		**3 760**	**3 703**	**2 507**

Selected notes

Note 1 – Accounting policies

These interim financial statements have been prepared in accordance with International Standards for Financial Reporting (IFRS) 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 2022. 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 2022.

Note 2 – Operating revenue

The note presents Statnett's operating revenues and alternative performance measure which are based on the regulation Statnett follows.

Operating revenue

(Unaudited amounts in NOK mill)

	Half-year		Year
Operating revenue from regulated grid operations	**2023**	**2022**	**2022**
Tariff revenue	1 574	3 550	5 222
Congestion revenues	4 347	8 877	22 662
Extraordinary transfers to grid owners	-2 410	-	-5 918
Income to other owners in shared grids	-22	-1	-4
Total operating revenue from regulated grid operations	**3 489**	**12 425**	**21 963**
Fee revenue from imbalance settlement	473	319	694
Fee revenue covered by imbalance settlement	-208	-357	-415
Total fee revenue	**266**	**-38**	**280**
Total operating revenue from regulated activities	**3 755**	**12 387**	**22 243**
Other operating revenue	260	230	750
Total operating revenue	**4 014**	**12 616**	**22 993**

Permitted revenue regulated operations

(Unaudited amounts in NOK mill)

	Half-year		Year
Permitted revenue grid operations	**2023**	**2022**	**2022**
Permitted revenue	7 270	5 935	13 344
Supplement to permitted revenue	934	774	1 811
Total permitted revenue grid operations	**8 204**	**6 709**	**15 154**
Permitted revenue imbalance settlement			
Permitted fee revenue imbalance settlement	199	178	371
Total permitted revenue grid operations and imbalance settlement	**8 403**	**6 887**	**15 525**

Higher/lower revenue - this year's changes and total balance

(Unaudited amounts in NOK mill)

	Half-year		Year
Regulated grid operations	**2023**	**2022**	**2022**
This year's higher/lower revenue (-/+), not recognized	4 715	-5 716	-6 810
This year's provision for interest higher/lower revenue (-/+), not recognized	-155	-49	-160
This year's changed balance for higher/lower revenue (-/+)	**4 560**	**-5 765**	**-6 970**
Balance higher/lower revenue (-/+), incl. interest as at 1 Jan	-9 629	-2 659	-2 659
Change in balance for higher/lower revenue (-/+), incl. interest	4 560	-5 765	-6 970
Balance higher/lower revenue (-/+), incl. Interest, closing balance	**-5 069**	**-8 424**	**-9 629**

	Half-year		Year
Imbalance settlement	**2023**	**2022**	**2022**
This year's higher/lower revenue (-/+), not recognized	-67	216	91
This year's provision for interest higher/lower revenue (-/+), not recognised	6	4	11
This year's changed balance for higher/lower revenue (-/+)	**-61**	**220**	**102**
Balance higher/lower revenue (-/+) incl. interest 1 Jan.	351	250	249
Change in balance for higher/lower revenue (-/+) incl. interest	-61	220	102
Balance higher/lower revenue (-/+) incl. interest, closing balance	**290**	**470**	**351**

	Half-year		Year
Total balance, grid and imbalance settlement	**2023**	**2022**	**2022**
Balance higher/lower revenue (-/+) 1 Jan.	-9 278	-2 410	-2 410
Change in balance for Grid operations, excl. interest	4 715	-5 716	-6 810
Change in balance for Imbalance settlement, excl. Interest	-67	216	91
Interest on change in balances	-149	-45	-149
Accumulated balance higher/lower revenue (-/+), closing balance	**- 4 779**	**-7 955**	**-9 278**

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.

(Unaudited amounts in NOK million)	Classification under IFRS 9	Measure-ment level	30.6.2023 Carrying value	30.6.2022 Carrying value
Fixed assets				
Derivatives, interest-bearing	Fair value through P/L	2	5 302	3 979
Total derivatives			**5 302**	**3 979**
Long-term receivables	Amortised cost	i/a	48	45
Subord. capital in Statnett SF's pension fund	Amortised cost	i/a	75	75
Financial assets available for sale	Fair value through P/L	3	3	3
Total other non-current financial assets			**126**	**123**
Current assets				
Trade accounts receivable	Amortised cost	i/a	269	422
Other short-term receivables	Amortised cost	i/a	796	862
Total trade accounts and other short-term receivables			**1 064**	**1 284**
Market-based securities	Fair value through P/L	1	**2 790**	**1 435**
Derivatives, interest-bearing	Fair value through P/L	2	122	-
Derivatives, non-interest-bearing	Fair value through P/L	2	6	-
Total derivatives	Fair value through P/L		**128**	**-**
Liquid assets	Fair value through P/L	1	**3 760**	**3 703**
Long-term liabilities				
Other liabilities	Amortised cost	i/a	**823**	**586**
Derivatives, interest-bearing	Fair value through P/L	2	1 010	489
Derivatives, non-interest-bearing	Fair value through P/L	2	-	-
Total derivatives	Fair value through P/L		**1 010**	**489**
Other long-term interest-bearing debt	Amortised cost	2	45 004	41 480
Lease liability	Amortised cost	i/a	139	185
Total long-term interest-bearing debt			**45 143**	**41 665**
Current liabilities				
Other short-term interest-bearing debt	Amortised cost	2	10 293	7 408
Lease liability	Amortised cost	i/a	82	32
Total short-term interest-bearing debt			**10 375**	**7 439**
Trade accounts payable and other short term debt		i/a	**3 975**	**3 883**
Derivatives, interest-bearing	Fair value through P/L	2	-	199
Derivatives, non-interest-bearing	Fair value through P/L	2	1	6
Total derivatives			**1**	**205**

Fair value of other interest bearing debt recognised at amortised cost	**30.6.2023**	**30.6.2022**
	Fair value	**Fair value**
Other long-term interest-bearing debt	44 981	40 680
Other short-term interest-bearing debt	5 946	4 751
Total other interest bearing debt	**50 927**	**45 431**

	30.6.2023	**30.6.2022**
Total measurement levels	**Carrying value**	**Carrying value**
Level 1	2 790	1 435
Level 2	-50 877	-45 603
Level 3	78	78

There have 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 commercial papers 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 Assets under construction

(Unaudited amounts in NOK million)	**2023**	**2022**
Acquisition cost on 1 January	6 291	6 200
Additions	2 630	2 084
Capitalised construction interest	122	76
Transferred to tangible and other intangible fixed assets	-2 883	-1 214
Write-offs	-43	-7
Acquisition cost on 30 June	**6 118**	**7 139**
Hedge accounting effects	0	-0
Assets under construction on 30 June	**6 118**	**7 139**

Contractual obligations
Total contractual commitments as of 30 June 2023 amounted to NOK 4.7 billion.

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 2023 have been prepared in accordance with IFRS and that the disclosures in the financial statements provide a true and fair view of the company's and the Group's assets, liabilities, financial position and performance as a whole. We further declare that, to the best of our knowledge, the information contained in the Interim Report from the Board of Directors for the first six months of 2023 provides a true and fair view of important events in the accounting period and their influence on the financial statements, together with a description of the key risks and uncertainty factors facing the company.

Oslo, 31. August 2023
Statnett SF's Board of Directors

Nils Kristian Nakstad
Styrets leder

Hilde Singsaas
Styremedlem

Maria Sandsmark
Styremedlem

Egil Gjesteland
Styremedlem

Wenche Teigland
Styremedlem

Christian Reusch
Styremedlem

Ingeborg Ligaarden
Styremedlem

Rolf-Amund Korneliussen
Styremedlem

Steinar Jøråndstad
Styremedlem

Hilde Tonne
Konsernsjef

Alternative performance measures

To provide a better understanding of Statnett's underlying results we also present several 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. In addition to annual higher/lower revenue, accumulated higher/lower revenue also includes applied interest and any prior-year adjustments.

	Half-year		**Year**
Key figures (Amounts in NOK million)	**2023**	**2022**	**2022**
Operating revenues underlying [1)]			
Operating revenues (accounting)	4 014	12 616	22 993
Change in accumulated higher/lower revenue (-/+) before tax	4 499	-5 545	-6 868
Operating revenues underlying	**8 513**	**7 071**	**16 125**
EBITDA underlying			
EBITDA (accounting)	-923	8 252	11 503
Change in accumulated higher/lower revenue (-/+) before tax	4 499	-5 545	-6 868
EBITDA underlying	**3 576**	**2 707**	**4 635**
EBIT underlying			
EBIT (accounting)	-2 495	6 705	8 433
Change in accumulated higher/lower revenue (-/+) before tax	4 499	-5 545	-6 868
EBIT underlying	**2 004**	**1 160**	**1 565**
Net profit for the period underlying			
Net profit for the period (accounting)	-2 539	4 921	5 949
Change in accumulated higher/lower revenue (-/+) after tax [2)]	3 509	-4 325	-5 357
Net profit for the period underlying	**970**	**596**	**592**
Equity underlying			
Equity	24 522	26 071	26 978
Accumulated higher/lower revenue (-/+) after tax [2)]	-3 728	-6 205	-7 237
Equity underlying	**20 794**	**19 866**	**19 741**
Return on equity underlying [3)]			
Return on equity	-18.7 %	45.7 %	24.6 %
Accumulated higher/lower revenue (-/+) after tax	-3 728	-6 205	-7 237
Return on equity underlying	**9.8 %**	**6.1 %**	**3.0 %**
Equity ratio underlying [4)]			
Equity ratio	26.8 %	30.2 %	30.9 %
Accumulated higher/lower revenue (-/+) after tax	-3 728	-6 205	-7 237
Equity ratio underlying	**22.8 %**	**23.0 %**	**22.6 %**
Debt coverage ratio underlying [5)]			
Debt coverage ratio	-8.5 %	38.5 %	26.4 %
Accumulated higher/lower revenue (-/+) after tax	-3 728	-6 205	-7 237
Debt coverage ratio underlying	**10.4 %**	**7.6 %**	**7.8 %**

[1)] The underlying net profit is based on regulated permitted revenue, while the net profit under IFRS will vary depending on established tariffs, charges and congestion revenues. The difference is recognised as higher/lower revenue (see the note to the financial statements concerning operating revenues).

[2)] Accumulated higher/lower revenue after tax = (accumulated higher/lower revenue before tax) * (1-tax rate)

[3)] Return on equity (underlying) = the period's underlying profit/loss after tax / average equity. The key figure is annualised.

[4)] Equity ratio (underlying) = (equity + (accumulated higher/lower revenue after tax)) / (total assets). The key figure is annualised.

[5)] Debt coverage ratio (underlying) = EBITDA (underlying) + net financial items - construction loan interest - tax payable - change in working capital) / (long and short-term interest-bearing debt adjusted for the effect of hedging - market-based securities - cash & cash equivalents - acc. higher/lower revenue after tax). The key figure is annualised.

Alternative performance measures

Changes in the definition of financial key figures compared to the Annual and Sustainability Report 2022

Operating profit/loss before depreciation, amortisation and impairment (EBITDA):
Write-down of facilities under construction was not previously included in this key figure. This has now been changed. The change means that EBITDA increases by NOK 25 million for 2022 as a whole and NOK 7 million for the first half of 2022. Underlying EBITDA increases correspondingly by NOK 25 million for 2022 as a whole and NOK 7 million for the first half of 2022.

Equity ratio (underlying):
Both equity and total assets were previously adjusted for higher/lower revenue. Now only equity is adjusted. This gives a more correct picture of the overall impact of higher/lower revenue. The change means that the key figure is altered from 24.7 per cent to 22.6 per cent for 2022 as a whole and from 23 per cent to 22.8 per cent for the first half of 2022.

Debt coverage ratio (underlying):
This key figure was previously adjusted for the tax expense. This has now been changed to tax payable. In addition, the key figure now includes the change in working capital. Statnett considers that these changes, taken together, provide a more correct picture of the Group's cash flow from operating activities. The definition of net debt has also been adjusted slightly. This key figure changes from 6.9 per cent to 7.8 per cent for 2022 as a whole and from 23 per cent to 22.8 per cent for the first half of 2022. The key figure is presented in the 2022 annual report.

The figures for capital employed and return on capital employed before tax, adjusted for higher/lower revenue, have been removed. It is considered that other key figures provide an adequate picture of Statnett's financial position.