

Annual report 2014

English



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The President and CEO comments on the 2014 annual report

We are developing the next generation main grid

Statnett's core task remains the same. Our fundamental task is to ensure safe and efficient power grid operations, now and in the future. Whilst securing a reliable supply of electricity, we will develop the next generation main grid. We are progressing well with this task.

The power system is changing. The northern European power system is gradually becoming more integrated, and system operations are challenged by an increase in contributions from inflexible, renewable energy. At the same time, new solutions for management and exchange of information are being developed, which provide opportunities for more efficient operations and use of resources. Statnett will identify appropriate functionality requirements, explore and test new solutions, continue to develop market and operational solutions, and implement new technology. This transition requires a uniform, long-term approach and any challenges relating to balancing of the power system, ICT security and choice of investments should be resolved in collaboration with the whole power industry.

A robust power system will be the cornerstone of the power system of the future. In the future, consumption is projected to continue to increase in the major cities as a result of urbanisation and increased use of electricity. More variable power generation in the future means we will become more dependent on the main grid being able to facilitate existing renewable energy resources, whilst ensuring that the demand for power is met at all times. Statnett is well under way with developing the next generation main grid.

The pieces are falling into place

In 2014, we showed that we are making good headway with establishing the next generation main grid. During the year we completed some major investment projects such as the upgrade of the transmission grid between Kristiansand and Skien, new power cables in the Oslofjord and a new interconnector between Norway and Denmark. We are now about to embark on some major domestic projects, as well as the new interconnectors to Germany and the UK.

It is essential that the intensive building activities do not compromise our ability to deliver a reliable supply of electricity at all times, nor must HSE or efficiency be compromised. This requires careful planning, a continuous cost focus and a well-adapted organisation. In 2014, we launched some important initiatives to handle the increasing workload. One of these initiatives is to ensure a more distinct distribution of tasks between operations, development and project execution, as well as closer collaboration across the organisation. Furthermore, we will intensify our commitment to research and development, with a focus on technological development, smart grids and sustainable grid development.



Auke Lont
President and CEO

Statnett also aims to increase efficiency by 15 percent by 2018, compared with 2013. This will affect the way we work, for instance with regard to planning and implementation of acquisitions, projects and technological solutions. It will also affect the planning and implementation of the company's large project portfolio in the years ahead. Investments will peak in 2017/2018, due to e.g. the large amounts of new renewable energy production planned to be achieved by 2020.

In addition to increasing our capacity to realise several projects concurrently, we have seen benefits from spreading investments over several years. We have conducted thorough analyses of the need for and access to capacity, and asked various parties for input into how we can spread our investment portfolio. Our revised plans will be presented in the 2015 Grid Development Plan, which will, for the first time, be submitted for consultation.

As part the implementation of the EU's third electricity legislative package, the Ministry of Petroleum and Energy (MPE) aims to assign the ownership of the remaining parts of the main grid to Statnett. The purpose is to increase efficiency and make the power sector more competitive by establishing a clearer division between transmission and power generation. This entails that Statnett will increase the company's total number of facilities by approximately 15 percent. The coming transactional processes will give us additional knowledge about reinvestments for the relevant plants.

Statnett has a zero tolerance philosophy for accidents and environmental damage. We have maintained a targeted and consistent focus on health, safety and the environment, both in the company and together with our subcontractors. In 2014, the number of lost-time injuries for Statnett and our subcontractors was reduced by 50 percent. I also had the pleasure of presenting Statnett's safety award SIKKER for the first time. The award went to Kruse Smith Entreprenør AS.

Statnett's employees as well as our suppliers and contractors have taken the task seriously. Statnett's ambition is to become the leading TSO in Europe with respect to HSE by the end of 2017. This means we have to reduce the lost-time injury frequency rate (OIFR1 value) to 2. The frequency rate was 4 at the beginning of 2015. We have reduced the number of lost-time injuries by 50 percent before, and we will do so again.

Outlook

Also in the years ahead, Statnett will be affected by the major development projects under planning and implementation, as well as by the acquisition of the parts of the main grid that we currently do not own.

Statnett will develop new market and system operation solutions and play an active role in shaping the next generation main grid. We expect that the consumption of electricity will increase and power generation will become increasingly more decentralised and local. We see that closer links are being forged between Norway, the Nordic countries and Europe, both with regard to the physical power system and power markets.

Together these solutions will ensure a stable and efficient supply of electricity, also in the future. At the same time, we will facilitate good climate solutions in Norway and in Europe and promote value creation for Norwegian business and industry, as well as for society. These are exciting times. We keep the pace high, with a strong focus on costs and efficiency and a very positive health, safety and environment trend.

Statnett - The future is electric

Safe and efficient operations now and in the future

Statnett is the Transmission System Operator in the Norwegian power system and is responsible for a socio-economically efficient operation and development of the power system. On behalf of the society Statnett maintain a reliable supply of electricity, contribute to value creation and enable improved climate solutions. Statnett's most important task is to ensure safe and efficient power system operations at all times. Statnett also facilitates development of the next generation power system to ensure that it meets future challenges and adopt the opportunities related to new technology. In order to achieve these objectives Statnett must be a safe, efficient and innovative company.

1. Statnett ensures safe and efficient operations now and in the future

The power system is part of the society's critical infrastructure. Society's dependence on a reliable supply of electricity is expected to be stronger due to the increased use of ICT, the need for climate-neutral energy carriers, establishment of new industry and population growth in and around the big cities. There is also an increasing transition to electricity in the transport, heating and petroleum sector. Statnett believes that this development will continue and therefore say that the *future is electric*.

Statnett will ensure safe and efficient operations in a period with high development activity in the power system, increased renewable power production and increased international power exchange.

2. Statnett will facilitate the development of the next generation power system

Statnett is strengthening the main grid across the country, and plans to invest another NOK 50-70 billion during the ten-year period between 2014 and 2023. The development has been communicated in the Grid Development Plan, and will promote further improved security of supply and value creation and support the realisation of Norway's targets related to increased renewable power production by 2020.

Technological developments within ICT, the introduction of smart metering (AMS) and Elhub, as well as increased integration of the European power system provide opportunities for developing a smarter and more climate-friendly power system. Efficient socio-economic development requires a comprehensive approach where one exploits the opportunities provided by technology whilst developing a more robust grid. Statnett's plans on how to achieve this are presented in the Grid Development Plan and in the System Operations and Market Development Plan.

As TSO, Statnett will facilitate development of the next generation power system in a socio-economically prudent manner.

3. Statnett must be a safe, effective and innovative company, which owns and operates the entire Main Grid

Statnett is going through a period of expansion and reconstruction of the main power grid. This requires good operational planning and focus on HSE. In addition, the asset base will increase by approximately 15 percent as Statnett acquires the remaining part of the central grid as a result of the EU's third electricity legislative package. This involves tasks in new geographical areas for Statnett's organization. During the same period Statnett is to improve efficiency by 15 percent. In addition technological development and internationalization will affect how Statnett will solve its social mandate. This means that "Statnett 2018" will be different from the company we know today.

In order to succeed Statnett must be a safe, efficient and innovative company.

This is Statnett

Statnett is responsible for developing and operating the power grid and for ensuring that it at any given time meets society's requirements to the energy sector.

As the Transmission System Operator in the Norwegian energy system, Statnett has a clear role:

- Ensure a stable and secure electricity supply by coordinating production and consumption
- Ensure quality in the long term by developing the Norwegian Main Grid
- Ensure accessible transmission routes by means of good maintenance practices.

Statnett is owned by the Norwegian State through the Ministry of Petroleum and Energy (MPE), which facilitates a co-ordinated and integrated energy policy.

Statnett's tasks

The main grid

Statnett is responsible for the main grid in the Norwegian power supply. The enterprise operates 11 000 kilometres of high-voltage lines and 150 substations throughout the country. Operations are monitored by one national control centre and three regional centres. Statnett is also responsible for interconnectors to Sweden, Finland, Denmark and the Netherlands.

Transmission System Operator

Statnett is the Transmission System Operator in the Norwegian energy system. As Transmission System Operator, Statnett is responsible for safeguarding security of supply by ensuring that there always is an instantaneous balance between production and consumption, sufficient reserves, emergency preparedness in the event of various fault situations and correctly dimensioned and maintained facilities. Statnett shall offer all players access to the main grid at equal terms. In addition, Statnett is responsible for coordinating power transmissions to and from our neighbouring countries.

Socio-economic operations

Statnett is responsible for ensuring efficient operations in a socio-economic perspective and for developing the main power grid. Statnett shall, alone or with others, plan and engineer, build, own and operate transmission facilities. This includes major development projects in Norway and between Norway and Europe. The development must cover future needs for a reliable supply of electric power throughout the country.

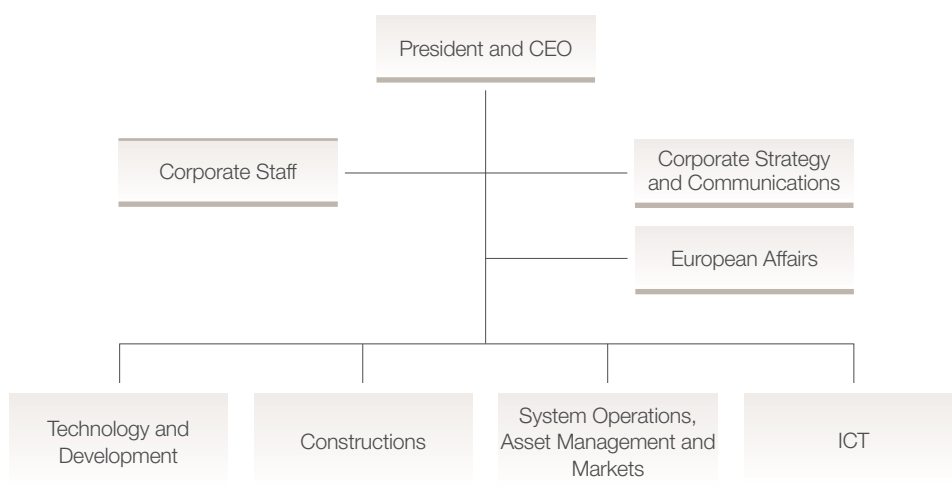
Other social responsibilities

Acting on behalf of the Norwegian authorities, Statnett is responsible for Ediel, an international standard for electronic exchange of trading information in the power industry. Statnett is also responsible for issuing guarantees of origin to Norwegian electricity producers, and for keeping the certificate register.

The Norwegian Water Resources and Energy Directorate (NVE) has granted Statnett the task of establishing Elhub, which is the Norwegian data hub for measuring values in the power market. Elhub is scheduled to start in 2017.

Organizational structure

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



Technology and Development

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

Constructions

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

System Operations, Asset Management and Markets

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

ICT

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

Corporate Strategy and Communications

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

Corporate Staff

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

European Affairs

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

Presentation of the Group management



Bente M. Haaland

Executive Vice President Corporate Strategy and Communications

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

Håkon Borgen

Executive Vice President Technology and Development

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

Elisabeth Vike Vardheim

Executive Vice President Constructions

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

Auke Lont

President and CEO

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

Øivind K. Rue

Executive Vice President, System Operations, Asset Management and Markets

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

Peer Olav Østli

Executive Vice President ICT

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

Knut Hundhammer

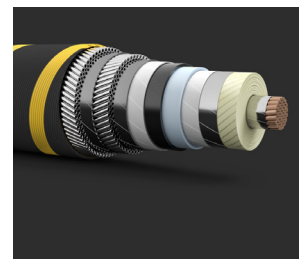
Executive Vice President, CFO and Chief of Staff

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

Highlights 2014

The international interconnector between Norway and Germany is approaching realisation

In February 2015, partner companies Statnett, TenneT and KfW made a final investment decision to establish an interconnector between Norway and Germany. The DC NordLink cable will be the first direct connection between the German and Norwegian electricity market. It is scheduled to be completed by the end of 2019, and will enter commercial operation from 2020. Statnett has also been granted the necessary licences for an international interconnector to the UK.



Lofotrøingen sections now part of the main grid

As of 1 January 2015, some of the Lofotrøingen power supply lines became part of the main grid and Statnett took over operating responsibility. This includes the power line from Hinnøy to Sortland and Melbu in Vesterålen and onwards to Kvitfossen in Lofoten. Statnett will also take over the power line from Kvitfossen to Kanstadbotn once this has been completed. This is scheduled for 2016.

Ørskog-Sogndal to be completed in steps

The new 420 kV power line between Ørskog and Ørsta in the Ørskog-Sogndal project is now in operation. This has improved security of supply in the area from Ørsta and northwards toward Ørskog.

The work to demolish the existing 132 kV power line has started. The work in Myklebustdalen was stopped after Gulatings Court of Appeal delivered a ruling on 27 June concluding that Statnett would not gain access to the properties. Later in the year, the Ministry of Petroleum and Energy (MPE) concluded that the licence decision from December 2011 should be upheld. In January 2015, the enforcement officer decided to grant Statnett access to the properties again.

Skagerrak 4 and the Eastern Corridor strengthened transmission capacity to Denmark

Skagerrak 4, the fourth interconnector between Norway and Denmark, entered commercial operation on 29 December. In December, the Eastern Corridor was also completed, a project involving voltage upgrade of the main grid between Kristiansand and Rød in Skien.

Together, these facilities contribute to a more reliable power supply and better opportunities for utilising renewable energy generated in both Southern Norway and Denmark. This has increased transmission capacity between the two countries by 700 MW. As of 1 January 2015, system operation services are provided to energinet.dk.



Measures to improve information security

Statnett has entered into a collaboration with the Norwegian Police Security Service (PST), the Norwegian Police Directorate, the National Security Authority, Statkraft and others concerning establishment of a new information security research and education centre in Gjøvik. Statnett supports the centre based on the increasing digitisation of the power supply and the need for high-level information security. Furthermore, Statnett, Statkraft and Hafslund Nett have jointly established KraftCERT AS. KraftCERT will help members of the Norwegian power industry handle and prevent attacks on the companies' IT systems.

New Regulation and Market System (LARM)

In November 2014, a new Regulation and Market System was completed. This will enable implementation of better system operation solutions.

Statnett's former head office in Huseby has been sold

Statnett entered into an agreement with JM and Miliarium concerning the sale of Statnett's former head office at Husebyplatået in Oslo. The agreement relates to the main section of the property at Husebyplatået. Subject to final reregulations, the framework for the sale is approximately NOK 700 million depending on the degree of development.

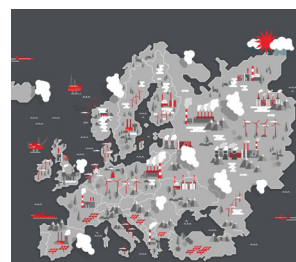


Ytre Oslofjord completed

The last three cables in Ytre Oslofjord were commissioned on 1 July. The new cable facility, which consists of nine cables, is important for security of supply to the Oslo area and for power trading with Sweden. The facility is 13 kilometres long and situated at a depth of up to 200 metres.

Common price calculation in Northwest-Europe

As of 5 February 2014, the Nordic and Western European power markets were connected through a common power price calculation model. In May, the power markets in Portugal and Spain were connected, thus joining the price coupling initiative in northwestern Europe. This means there is now one common price calculation model for 17 European countries. This will create a larger and more liquid European market, and contribute to optimising the benefits of investments in the power system.



Regional control centres in Sunndalsøra and Alta merged

In March, Statnett decided to merge the regional control centres in Sunndalsøra and Alta. As of 1 September 2016, the regional control centres will be located in Alta and Oslo. This is expected to improve preparedness and security of supply in the power system.

Financial framework conditions

Statnett's revenues

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

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

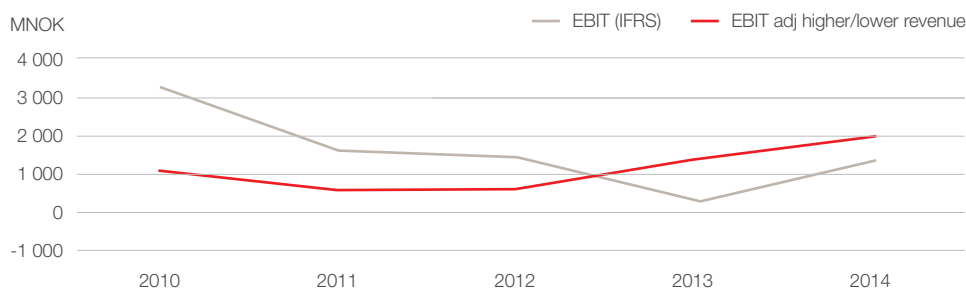
If the actual revenues diverge from the permitted revenue, higher or lower revenue will occur. In accordance with regulations from the Norwegian Water Resources and Energy Directorate, higher/lower revenue will even out over time through adjustment of future grid tariffs. Consequently, the higher/lower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

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

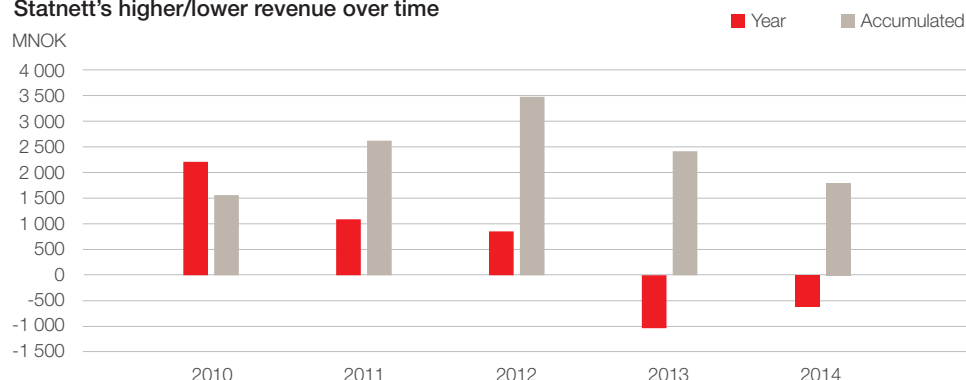
Revenue and result development

Since 2009, Statnett has had significant higher/lower revenue. This has resulted in major fluctuations in Statnett's recognised operating revenues and operating profit/loss. Revenues and profit or loss adjusted for higher/lower revenue show that underlying activities are much more stable than indicated by the accounting figures, including higher/lower revenue. The increase in underlying revenues and profit from 2013 was mainly due to a change of model for calculation of the NVE interest rate, which yielded higher return on grid capital. Revenues and profit also increased in 2013 and 2014 due to increased grid capital as a result of high investments and a higher number of commissioned facilities in these years.

EBIT adjusted for higher/lower revenue



Statnett's higher/lower revenue over time



Higher/lower revenue development

In 2014, Statnett had a lower revenue. This was due to a planned reduction in accumulated higher revenue through a downward adjustment of tariffs, combined with lower than predicted congestion revenues. At the end of 2014, the accumulated higher revenue including interest was NOK 1 790 million.

2010: To cover the lower revenue, grid tariffs were increased in 2010 compared with 2009. Moreover, congestion revenues were higher than assumed for a normal year. In total, this resulted in a higher revenue of NOK 2 187 million.

2011: Due to the accumulated higher revenue at the end of 2010 of NOK 1 554 million, somewhat lower tariffs were stipulated for 2011. Congestion revenues were also higher than expected in 2011, and the higher revenue totalled NOK 1 064 million. Accumulated higher revenue including interest was NOK 2 617 million at the end of 2011.

2012: On the basis of accumulated higher revenue, the tariffs were further reduced in 2012. With higher congestion revenues than assumed, Statnett's higher revenue amounted to NOK 838 million in 2012. Accumulated higher revenue including interest was NOK 3 455 million at the end of 2012.

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

2014: To further reduce the accumulated higher revenue, 2014 tariffs were also kept at a low level. Congestion revenues were somewhat lower than projected and contributed to a reduction in the accumulated higher revenue. In 2014, Statnett had a lower revenue of NOK 623 million. At year-end 2014, the accumulated higher revenue including interest amounted to NOK 1 790 million.

Repayment of higher revenue

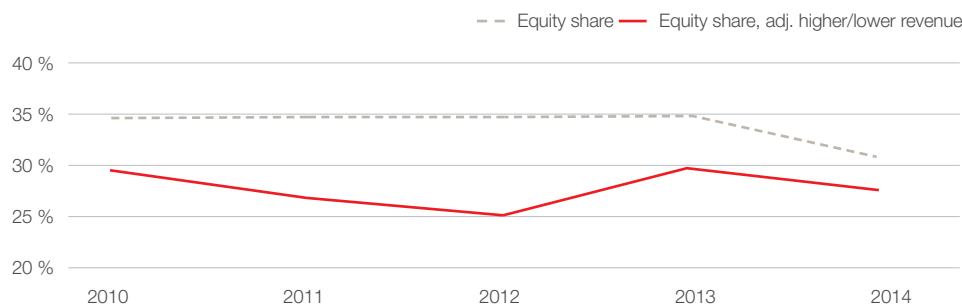
Statnett has formulated a price strategy which sets guidelines for stipulation of the annual main grid tariff. In accordance with the guidelines from the Norwegian Water Resources and Energy Directorate (NVE), Statnett emphasises consideration for stable and predictable grid tariffs over time. Consequently,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

The investment level affects revenues and the balance sheet

Completed investments are part of Statnett's basis for regulated revenues, whereas plants under construction are not included. There has been a steady increase in investments since 2009, and in 2013, investments doubled compared with the previous year. Investments in 2014 were on a par with 2013, which confirms that Statnett has reached a new investment level. This is necessary to realise the company's development plans. Some of the increase in investments is still recognised as plants under construction as it relates to projects that are being developed, and will vary in size over time. Net interest-bearing debt has increased in line with the investment level.

Statnett's equity reported in the financial accounts includes accumulated higher/lower revenue. To show Statnett's real equity, equity is adjusted for accumulated higher/lower revenue after tax. As investments have increased in recent years, the adjusted equity ratio has been reduced. In December 2013, it was decided to increase Statnett's equity by NOK 3 250 million, and in January 2014, Statnett received the new equity. The equity ratio adjusted for accumulated higher/lower revenue after tax was 28 per cent at year-end 2014.

Development in equity share



Key figures

Main figures (amounts in NOK million)	2014	2013	2012	2011	2010
Reported figures					
Revenue	5 563	4 561	5 334	5 497	7 247
EBITDA	2 528	1 394	2 260	2 426	3 945
Operating profit / EBIT	1 378	346	1 433	1 628	3 279
Profit before tax	1 120	89	1 162	1 357	3 058
Profit after tax	829	82	837	1 000	2 198
Adjustments (amounts in NOK million)					
Accumulated higher/lower (+/-) revenue	1 790	2 413	3 455	2 617	1 554
Changes in accumulated higher/lower (+/-) revenue	-623	-1 042	838	1 064	2 187
Underlying figures (amounts in NOK million)					
Revenue	6 186	5 603	4 496	4 433	5 060
EBITDA	3 151	2 436	1 422	1 362	1 758
Operating profit / EBIT	2 001	1 388	595	564	1 092
Profit before tax	1 743	1 131	324	293	871
Profit after tax	1 284	832	234	234	623
Highlights balance sheet (amounts in NOK million)					
Investments	5 981	6 375	3 152	2 384	1 892
Tangible fixed assets	27 515	21 472	17 805	17 396	16 396
Net interest-bearing debt, adjusted for fair value hedges	21 458	19 355	13 458	11 826	10 629
Equity	12 629	12 135	8 852	8 277	7 628
Equity adjusted for higher/lower revenue after tax	11 322	10 374	6 364	6 393	6 509
Total assets	41 107	34 897	25 794	23 881	22 070
Capital employed	31 271	27 017	21 807	19 739	17 836
Financial key figures					
Return on capital employed before tax, adjusted for higher/lower revenue	6.9 %	5.7 %	2.9 %	3.0 %	6.3 %
Return on equity after tax	6.7 %	0.8 %	9.8 %	12.6 %	33.2 %
Equity share	30.7 %	34.8 %	34.3 %	34.7 %	34.6 %
Equity share, adjusted for higher/lower revenue	27.5 %	29.7 %	24.7 %	26.8 %	29.5 %
Operational key figures					
Employees, total	1 121	1 079	994	928	913
Km power lines	10 149	10 100	9 839	9 839	9 808
Km land and subsea cables	794	703	703	703	703
Absence due to illness percent	3.1 %	3.1 %	3.6 %	3.8 %	3.8 %
Lost-time injuries, own employees	4	5	8	18	12
Greenhouse gas emissions (CO ₂ -equivalents)	13 630	16 278	13 101	N/A	N/A
Hours with insufficient security of supply	1 482	1 221	1 586	2 820	4 368
Customer satisfaction (score)	66	70	69	71	64

Corporate Social Responsibility 2014

Statnett's corporate social responsibility reporting

Statnett's social mandate is to maintain a reliable supply of electricity, contribute to value creation in society through an efficient and well-functioning power system and enable improved climate solutions. Corporate social responsibility (CSR) affects how Statnett solves its social mandate and integrates social and environmental considerations in the company's development and operations, going beyond the minimum requirements in laws and regulations. CSR is an integrated part of the company's management and organization.

Corporate social responsibility in Statnett is all about understanding the expectations of the community, and handling these expectations in a manner which generates mutual respect. By doing so, CSR in Statnett will deliver performance excellence and capacity which will ensure that the enterprise meets its main objectives.

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

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

If not otherwise specified, the corporate social responsibility reporting covers all Statnett activities, including wholly-owned subsidiaries. Data is generally collected and collated with the aim of making the presentation as relevant and uniform as possible. Although great emphasis has been placed on ensuring completeness and correctness, there may be uncertainties in relation to some of the data.

Corporate social responsibility organisation

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

Statnett has a policy for corporate social responsibility that has been approved by the board of directors. The objective of this policy is to specify the principles Statnett will apply as a basis for safeguarding the company's corporate social responsibility within the framework established for Statnett by the owner, legislator and society in general. Statnett has established management policies for internal ethical guidelines, as well as ethical guidelines for our suppliers. Corporate social responsibility is also described in Statnett's value base policy.

Statnett and society

Security of supply

Statnett is responsible for ensuring a stable and secure supply of electricity. Through proper maintenance, sound preparedness and significant investments in sufficient grid capacity, Statnett secures a stable supply of electricity and paves the way for renewable energy development. In this way, Statnett contributes to value creation for customers and society in general and to the realisation of Norway's climate objectives.

In 2014, Statnett invested a total of NOK 5 508 million in grid facilities. Statnett's largest grid and sub-station investments are described in more detail in the Board of Directors' report and on Statnett's website.

Statnett operates on the principle that there should be two alternatives for power supply into an area. This is referred to as N-1 and means that the power supply will remain intact even if parts of the grid drops out. Statnett measures unsatisfactory security of supply by registering periods with only one barrier against power outages in the main grid, N-0. The measurements show which areas are vulnerable and therefore which areas should be prioritised in future grid developments. Frequency deviation is an additional risk indicator in the power system. Projects that are scheduled to be completed in the coming years will further strengthen security of supply, including in Northern and Eastern Norway.

Security of supply	Unit	2014	2013	2012
Outages in Statnett's power grid ¹	Number	2	2	0
Frequency deviation ²	Minutes	10 232	11 410	11 574
Periods of unsatisfactory security of supply (N-0) ³	Hours	1 482	1 221	1 600

Preparedness

A key element of securing a stable supply of electricity is to implement sound preparedness measures. This involves preventing and handling extraordinary incidents. Stormy weather is particularly challenging, but incidents, technical and human error as well as vandalism are all potential factors.

Statnett will ensure that incidents are handled in the best possible manner, both in the operations and in projects. To meet this objective, three important measures have been implemented. A safety and preparedness policy has been established which stipulates responsibilities and guidelines on how to establish efficient preparedness. The Company has established a preparedness section which has the technical responsibility for the company's preparedness operations and ensures efficient preparedness routines and guidelines in Statnett. Furthermore, Statnett has ensured good operative preparedness in the individual units by using dedicated staff and entering into supplier contracts. As part of the emergency preparedness work, several preparedness drills were conducted at various levels of the organisation in 2014.

Table

- 1 Incidents of Energy Not Supplied (ENS) more than 2 hours or > 1000 MWh as a result of a fault in power grid owned by Statnett.
- 2 Standardised measuring conducted by Svenska Kraftnät measured by sampling frequency per minute.
- 3 Registered number of N-0 hours (period where there is only one barrier against power outages).

Statnett has a statutory duty to provide transport preparedness for the Norwegian power supply. Statnett's wholly-owned subsidiary Statnett Transport AS is required to ensure competitive implementation of this duty.

Dialogue with stakeholders – involvement and transparency

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

Statnett aims to promote exchange of ideas, constructive discussions and forward-looking solutions for energy supply and social development. This is done at an early stage by involving local customers, local authorities and businesses, landowners, non-governmental organisations (NGOs) and other special interest organisations.

Statnett engages in active dialogue with the stakeholders, as part of the company's daily activities and through other activities and projects. Dialogues are comprehensive and take place at, for instance, regular meetings and during consultation processes relating to grid developments and specific development projects.

Every other year, Statnett publishes its Grid Development Plan. The plan is one of Statnett's key planning documents. In April 2015, open meetings will be held to pick up on needs and receive input to the plan's content. Customers, authorities, NGOs, environmental groups and special interest organisations as well as other stakeholders are invited to these meetings. A draft of the 2015 Grid Development Plan will be presented for the first time on 9 April. At the same time, it will be submitted for consultation.

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

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

Distribution of value created

Statnett's operations generate value both directly and indirectly. The direct value creation is presented in the enterprise's accounts and is allocated to the owner, authorities, employees and lenders. Indirectly, value creation is ensured through, for instance, export of power surplus, the activities Statnett generates in other companies in the form of investments in infrastructure and purchase of goods and services.

In 2013, it was decided that Statnett would receive new equity of NOK 3.25 billion at the start of 2014 and that the dividend for 2013 would be zero. Proposed dividend for 2014 is NOK 321 million.

Value creation distribution	Unit	2014	2013	2012
Employees - wages and social benefits ¹	NOK million	1 141	1 039	978
National and municipal taxes and fees ²	NOK million	613	288	589
Lenders - interests	NOK million	527	479	430
Owner - dividend	NOK million	321 ³	0	117
Company - retained equity	NOK million	98	150	678

Table

- 1 Wage costs excluding employer's contribution.
- 2 Tax charge, property tax and employer's contribution.
- 3 Proposed dividend 2014

Procurement

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

The central procurement unit is responsible for handling the procurement process for all procurements with an estimate value of more than NOK 500 000. The unit is also responsible for call-offs under strategic framework agreements. The procurement unit is responsible for training and compliance with Statnett's procurement policy.

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

Statnett also conducts its own audits of the company's suppliers and sub-contractors. The audits contribute to better deliveries and improve Statnett's ability to establish requirements.

In May 2014, Statnett introduced a new system for the procurement unit. The system will be used for tenders and contract follow-up. This will make Statnett better equipped to follow up the suppliers' obligations regarding the environment, corporate social responsibility and HSE. A separate initiative has also been implemented to strengthen Statnett's control of contractors and their subcontractors, which will ensure that Statnett's wage and working conditions are complied with. For consulting engineer services and construction and building contracts, a system involving supplier "score-cards" is in the pipeline. This will enable Statnett to have a continuous improvement process with contractors and suppliers.

To promote healthy competition with regard to our acquisitions, Statnett works actively to ensure that international, national and local suppliers gain a competitive position. To promote exchange of infor-

mation with local businesses and industry, Statnett has organised HSE seminars for suppliers and held project presentations for local suppliers.

Knowledge dissemination

An important objective of Statnett's communications strategy is to establish knowledge about the company's social mandate. Statnett's upcoming major main grid investments increase the need for broad knowledge and a good reputation. This is also essential for recruitment purposes.

In 2014, Statnett decided to develop a collaboration platform with Norwegian science centres focusing on knowledge dissemination and science subjects. At the end of 2013, Statnett entered into collaboration with the Norwegian Museum of Science and Technology. In 2014, the collaboration was extended to include the Science Centre of Northern Norway and the Science Museum in Trondheim. Over the course of 2015, the goal is to extend the number of agreements with Norwegian science centres to one agreement per region.

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

Statnett conducts regular reputation surveys. Statnett's reputation is mainly affected by how the outside world perceives the company's products and services, management, environmental concerns and working conditions. Statnett is responsible for projects that have inspired intense public debate in recent years. This has challenged the public's confidence in the company. In 2014, 64 percent of the population was confident that Statnett will provide a secure supply of electricity, compared with 56 percent in 2013. Statnett aims for 80 percent by 2016.

Customer satisfaction among customers directly linked to the main grid has remained relatively stable, with a score of about 70 of a total of 100 points in recent years. Customer satisfaction fell to 66 points in 2014. Good collaboration with the customers is important to ensure efficient execution of Statnett's core tasks. Consequently, Statnett will review the results carefully and try to find solutions that will help restore and promote customer satisfaction in 2015.

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

Reputation and customer satisfaction	Unit	2014	2013	2012
Reputation - Share of the Norwegian population who have confidence in Statnett providing a secure supply of electricity ¹	Percent	64	56	53
Prompted knowledge of who is responsible for the main powergrid ²	Percent	62	60	57
Unprompted knowledge of who is responsible for the main grid ²	Percent	37	36	33
Customer satisfaction ³	Score	66	70	69

Innovation and R&D

Statnett has adopted an innovative and forward-looking approach using research and development (R&D) as a strategic policy instrument for creation of value and innovation. The R&D strategy is linked directly to the overall Group strategy.

Table

- 1 Percentage with a very or fairly good overall impression of Statnett among professionals (including municipal mayors and chief municipal executives, national political environments, professional environments and the media) and the general public. Source: Synovate market research
- 2 Percentage with knowledge of Statnett being responsible for the national main grid for power supply in Norway. Source: YouGov against their internet panel on assignment from Statnett using Mindshare media agency.
- 3 Score on most recently conducted customer satisfaction survey. Source: TNS Gallup AS and OPINION|PERDUCCO

During the period 2012-2014, Statnett's R&D initiatives have focused on the following three programme areas:

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

Statnett's R&D expenses totalled NOK 54 million in 2014, NOK 11 million more than last year.

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

Statnett also cooperates closely with educational establishments and research communities, both in Norway and internationally. Universities and university colleges are important collaboration partners for implementation of R&D work. The collaboration is also important for recruitment, access to expertise and for finding PhD studies which the enterprise wants to support. Moreover, it will contribute to raising Statnett's profile and help make Statnett more visible.

Smart Grid

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

In the autumn of 2013, Statnett launched the Northern Norway Pilot Project. The main objective is to install, test and validate solutions developed in previous R&D projects in a realistic user environment. The pilot project activities focus on challenges faced by operators linked to the Regional Central North associated with security of supply, quality of supplies and system costs. Solutions and applications developed with a focus on Northern Norway will be useful for Statnett in other parts of the power system.

Technology and solutions for the next generation main power system

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

In the Lean Line project, Statnett is focusing on developing new solutions for pylons and power lines. The objective is to increase quality and safety whilst reducing the construction time and costs by 20 percent for 80 percent of new projects in the portfolio. Since 2012, Statnett looked into finding new solutions for composite pylons, alternative pylon design, rotating concrete reels, high-temperature power lines and prefabricated foundations. Solutions for reducing the use of helicopters have also been assessed. Full-scale testing of a prefabricated foundation prototype has been conducted and a prototype concrete reel was tested in early 2014.

Prioritised initiatives

The R&D programme "Social Acceptance" consists of projects which will provide Statnett with knowledge on how the company should act to gain acceptance for its social mandate. These projects are executed through cooperation with the Centres for Environment-friendly Energy Research (FME) and KMB projects (expertise projects with user participation), supported by the Research Council of Norway. The research takes place at Sintef, the University of Oslo (UiO), the Institute for Energy Technology (IFE), Strategic Challenges in International Climate and Energy Policy (CICEP), Oslo Centre for Research on Environmentally friendly Energy (CREE) and others.

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

Climate and the environment

Developing the main grid is important for achieving Norway's climate goals by preparing the grid for phase-in of renewable energy. Climate considerations represent one of Statnett's three strategic focus areas. At the same time, it is important to respect the natural environment during development and operation of our facilities. Statnett's environmental strategy formulates a framework for how to minimise the environmental impact of the company's activities.

Environmental impact of Statnett's operations

Environmental management and control are incorporated into Statnett's quality assurance system. Follow-up of environmental targets and requirements is part of the target and performance management process in Statnett, and nature and the environment are emphasised on a par with technical and financial considerations in internal decisions. Statnett has established an HSE policy which comprises the external environment. The policy describes principles and procedures for avoiding unnecessary environmental impact. The company has a zero tolerance philosophy for serious emissions and discharges.

Statnett works systematically on preventive environmental initiatives to reduce the risk of serious incidents, from the early planning phase, through the construction phase and in the operational phase. As a result, there are few incidents with a major risk potential in the enterprise.

Any environmental incidents that do occur are recorded and followed up in the Statnett deviation system. In 2014, 316 incidents occurred, compared with 178 incidents the year before. The increase was due to the combination of a higher activity level and increased focus on incident reporting. No serious emissions or environmental damage occurred (red category). There were 24 incidents resulting in major environmental damage (yellow category), mainly associated with accidental spills of oil and fuel. All incidents are cleaned up after.

Statnett has an environmental management system certified according to ISO 14001:2004 and all Statnett's office buildings have been certified as Eco-Lighthouses. The main office in Oslo and Statnett's administration building in Trondheim are energy class A office buildings.

Climate and energy

The most important contribution from Statnett to reduce the emission of greenhouse gases is to develop the next generation main grid. Through the development, Statnett facilitates connection of new renewable energy from both hydropower and wind power locally in Norway and solar and wind power in Europe. Construction of international interconnectors to Germany and the UK will help ensure security of supply and balance variations in German and British renewable power production throughout the day.

Energy consumption from own operations

Statnett is focusing on reducing its energy consumption from daily operations. The total energy consumption was reduced in 2014 as a result of reduced energy needs in buildings.

Through development of the power system, Statnett chooses solutions that reduce transmission loss in the grid. The losses increased somewhat in 2014, partly due to downtime on the NorNed cable resulting in lower loss than expected in 2013.

Energy consumption and grid losses	Unit	2014	2013	2012
Consumption of fossil fuels				
Heating ¹	GWh	16.0	17.8	18.3
Vehicles total ²	GWh	5.5	5.4	5.2
- diesel	GWh	5.2	5.0	4.8
- petrol	GWh	0.3	0.4	0.4
Natural energy for back-up power plants	GWh	8.9	11.3	9.0
Consumption of renewable fuels	GWh	N.A	N.A	N.A
Total electricity consumption	GWh	30.4	34.5	32.5
Grid losses	GWh	2 455	2 287	2 465

Table

- 1 From electricity supplier
- 2 From invoiced sale of fuel

Emission of greenhouse gases from own operations

In addition to emissions from energy consumption, SF6 gas plants and travel in connection with work contribute to emission of greenhouse gases.

Greenhouse gas emissions	Unit	2014	2013	2012
Direct emissions (scope 1)				
From fuel consumption ¹	Tonnes	1 442	1 406	1 360
From diffuse emissions (SF ₆) ²	Tonnes	5 497	7 385	8 461
From back-up power plants (natural gas) ³	Tonnes	1 728	2 190	1 871
Indirect emissions (scope 2)	Tonnes			
From heating (electricity) ⁴	Tonnes	3 120	3 563	N/A
Other indirect emissions (scope 3)	Tonnes			
From company air travel	Tonnes	1 642	1 481	1 179
From company car travel	Tonnes	201	253	230
Total emissions	Tonnes	13 630	16 278	13 101

Table

- 1 Based on fuel prices from the Norwegian Road Federation (OFV) and emission factors from Statistics Norway (SSB)
- 2 Emission of 1 kg SF₆ corresponds to 23 900 kg CO₂ equivalents
- 3 Emissions from back-up gas-fired power plants at Nyhamna and Tjeldbergodden. Preliminary figures.
- 4 Assumed Nordic en. mix; 200 g/kWh. Up to and including 2012, Statnett purchased electricity guaranteed to be generated from renewable energy sources.

Statnett's back-up power plants at Nyhamna in Aukra municipality and at Tjeldbergodden in Aure municipality are subject to quota obligations, and Statnett reports emissions and discharges annually to the Norwegian Environment Agency. The facilities are primarily intended for use in an emergency situation. Preliminary figures show that emissions from Statnett's back-up power plants totalled 1 728 tonnes of CO₂ equivalents in 2014. The final figures for 2014 will be available after 1 April 2015, when the reported data have been approved by the Norwegian Environment Agency.

Employee air travel totalled 11 475 715 kilometres in 2014, corresponding to total carbon emissions of 1 642 tonnes. This is an increase from 2013. However, the increase is low compared with the growth in the enterprise's activities.

The largest individual source of greenhouse gas emissions from the enterprise's activities is SF₆. Statnett works actively to reduce SF₆ emissions. Stringent requirements are set relating to handling, and the enterprise is working continuously to switch to facilities and components with lower discharges. Total SF₆ emissions were reduced by 26 percent in 2014 to 230 kilos. Emissions for 2014 totalled 0.2 percent of the total volume, and are well below the normal leakage rate for this type of facility.

However, the SF₆ gas stock increased in 2014. The increase was due to an increase in the number of facilities, but also better quality facility data. More SF₆ gas plants will be required in the years to come, particularly in urban areas, as such facilities require much smaller areas than conventional open air facilities.

Inventory and emissions of SF ₆	Unit	2014	2013	2012
Inventory as at 31 Dec.	kg	121 603	117 532	112 576
SF ₆ emissions	kg	230	309	354

Climate adaptation

Climate change affects Statnett's operations. In 2012, Statnett prepared a report on the effect of climate change on the Norwegian energy and effect balance. A hotter and wetter climate may improve the energy and power balance, whereas more extreme weather may increase the strain on parts of the Norwegian power system. Wind is the most frequent reason for power outages, accounting for nearly 30 percent of outages. Climate models do not indicate more or stronger wind in general over the next years, but stronger storms may affect the power grid and cause power outages. Increased precipitation will fall as snow in the high mountains, which may become a challenge for the power lines. Consequently, new power lines have stronger foundations, pylons and lines in order to withstand increased ice, snow and wind load.

Biodiversity and disruptions to the landscape

As part of its environmental strategy, Statnett aims to be a responsible grid developer. This entails incorporating environmental concerns in the company's planning process, choice of solutions, and during construction and operation. At the same time, Statnett recognises that the company's operations cause interventions in the landscape, which will have an impact on the landscape and biodiversity.

When choosing power line routes, various considerations are weighed against each other to arrive at the best alternative. The licensing process requires detailed studies of the scope and impact on the landscape and biodiversity during the construction phase and operational phase. The studies comprise habitats and species, focusing on endangered and vulnerable species in particular.

There are 69 000 registered protected areas in Norway. Statnett's power lines cross or are located in 1.3 percent of these areas. Most areas have become protected areas after the power lines were constructed.

Form of protection	No. of protected areas	Kilometres power line	Area (km ²) affected ¹
Biotope protection pursuant to the Wildlife Act	4	90	3.6
Animal protection area	10	47	1.9
Protected landscape area	16	147	5.9
National park	3	7	0.3
Nature reserve	51	91	3.6
Protected plant area	1	1	0.1
Total	85	383	15.3

Table

1 40-metre forest clearing area in the power line route

Landscape

Statnett is eager to limit any interventions in the landscape as a result of construction. During planning, Statnett seeks to find solutions that are aesthetically adapted to the surroundings. When constructing new power line routes, Statnett uses advanced techniques such as laser scanning and 3D terrain modelling in the early stages of the planning phase. This means we can see what the power lines will look like in the landscape. Furthermore, we can adapt our construction plans and choose alternatives that take into account the shape and character of the landscape.

The simplest and most efficient measure to ensure power lines are less visible in the landscape is the choice of route. Some sections may require additional impact limitation measures to minimise visibility. This can for example be:

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

Redevelopment of the old grid is an important part of Statnett's environmental work. The enterprise has demolished 600 kilometres of power lines since the work started 15 years ago. During the same period, Statnett has built 1 100 km of new supply grid.

Grid and cables ¹	Unit	2014	2013	2012
High voltage overhead section	km	10 149	10 100	9 839
Earth cables and subsea cables	km	794	703	703
New-built facilities	km	49	261	31
Modified/demolished facilities	km	47	115	0

Table

1 Measured in km of transmission routes and cable routes

Pollution and waste

Statnett's facilities will be designed and built in such a way that the risk of polluting the surroundings is minimised. The enterprise assesses noise and chooses solutions that minimise noise levels. Oil pits have been installed at all substations to prevent transformer oil discharges.

The risk of pollution is highest during the construction phase. Statnett sets strict requirements for contractors to ensure that the work is performed in a manner that minimises the risk of leaks and discharges. Preparedness procedures have been established to reduce environmental impact in the event of an accident resulting in discharges.

In 2014, 29 incidents were reported involving discharge of oils or fuel. The incidents resulted in a total discharge of 182 litres of oil and fuel. Most of the incidents were minor discharges. In all instances, the discharge was recovered.

Statnett will minimise the amount of waste it generates. All waste must be sorted, handled securely and delivered to an approved receiving station. In 2014, the sorting rate from office operations, plant operations and development projects was 87 percent.

Waste	Unit	2014
Sorted waste		
Wood	Tonnes	853
Metals	Tonnes	763
EE waste	Tonnes	84
Other fractions ¹	Tonnes	120
Paper and cardboard	Tonnes	54
Plastic	Tonnes	3
Hazardous waste ²	Tonnes	581
Total sorted waste	Tonnes	2 458
Residual waste	Tonnes	322
Sorting rate	Percent	87
Estimated reported	Percent	75–80

Table

- 1 Concrete, plaster, leca, glas, porcelain
- 2 Mainly deposited SF₆ gas from demolishing of the old Arendal substation

Electromagnetic fields

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

Electrical fields

The limit value for electric fields is 5 kV/metre and may be exceeded under Statnett's lowest-hanging 420 kV power lines. The electrical fields may be experienced as uncomfortable, but are not considered hazardous to human health. Electric fields are normally effectively shielded by vegetation and buildings. Statnett designs new power lines so that the limit value for electrical fields and public exposure is not exceeded in areas with general traffic. During voltage upgrades, the limit values may be exceeded in some areas.

Magnetic fields

When constructing new high-voltage facilities or upgrading existing facilities, grid owners must assess whether magnetic fields in nearby buildings could exceed 0.4 microtesla. If the limit is exceeded alternative solutions must be considered. The same applies to planning and construction of new buildings near existing high-voltage power lines, mainly schools, kindergartens and residences. The 0.4 microtesla threshold limit has been set based on a precautionary principle.

Statnett follows the authorities' recommendations that exposure to radiation should be kept as low as practically feasible. When planning new power lines, Statnett aims to keep them at a sufficient distance from existing residential housing to ensure that the average magnetic fields from the lines do not exceed 0.4 microtesla. This may entail that routes have an impact on valuable natural areas and recreational areas. Consequently, alternative solutions are often prepared and the final choice of route is often made by the licence authorities.

Statnett keeps continuously updated on research into any adverse health effects caused by electromagnetic fields from high-voltage power lines. The enterprise has made its own contribution to increase our knowledge in this area.

Environmental R&D focus

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

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

Statnett has funded research conducted under the direction of the Centre for Environmental Design of Renewable Energy (CEDREN), a collaboration between SINTEF Energy, the Norwegian Foundation for Nature Research (NINA) and the Norwegian University of Science and Technology (NTNU). The research has focussed on power lines and bird collisions as well as on power line corridors as wildlife habitats. CEDREN and NINA have also conducted a pilot project for development of map tools for identification of suitable power line routes.

The CEDREN project "Hydrobalance" has looked into the possibility of increasing the use of Norwegian reservoirs to store balancing power as well as the effect of hydropeaking of power plants in Norwegian river system environments.

The R&D project linked to the Centre for Sustainable Energy Studies (CenSES) will conduct research that will contribute to providing a better factual basis for public and private decision-makers in the interface between climate, energy and industry. This will contribute to developing Norway into a sustainable society. Strategic Challenges in International Climate and Energy Policy (CICEP) helps identify and prepare international policy and international strategies that will promote a transition to low-carbon energy systems.

Our employees

Statnett is an attractive employer offering its employees challenging tasks. To meet our objectives, we need to have the right expertise. Statnett is committed to promoting a good and close community across the organisation and ensuring a safe and secure working environment.

Health, safety and the working environment

Statnett's objective is to prevent accidents and injuries to own employees and other personnel working for the enterprise. Statnett pays considerable attention to risk factors related to the company's operations. Statnett's HSE ambition is that, by the end of 2017, the company, including external suppliers, will be the leading TSO in Europe.

To reach this objective, measures have been implemented with regard to:

- Safety culture and management requirements
- Risk assessments and execution of hazardous operations
- Capacity and expertise in work teams and project teams
- Supplier requirements and close follow-up

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

Every year, we organise safety courses for all employees who will carry out work on electrical installations. In addition, we conduct HSE training in accordance with regulations. All Statnett's employees must complete basic HSE training, practical first aid training and electrical safety training. Statnett holds regular emergency situation and preparedness drills at various levels of the organisation. An HSE forum is held annually for safety delegates, HSE personnel and the management. The enterprise contributes to external HSE work and heads the HSE Trade Forum in Energy Norway.

HSE is a regular first item on the agenda in all management and board meetings. The status of the HSE work and any incidents are reported to the management and Board of Directors on a regular basis. Statnett's dialogue on HSE issues and risk-reducing measures is comprehensive, both internally in the enterprise and with our suppliers. HSE assessments are well integrated into project development and procurement processes.

Statnett reports undesirable HSE incidents and deviations occurring in its own organisation, as well as in contractor/supplier organisations. In 2014, four internal lost-time injuries were reported, whereas our contractors/suppliers reported 15 lost-time injuries. This is a reduction of 50 percent compared with 2013. Reporting of undesirable HSE incidents increased in 2014, which is a continuation of the trends from previous years. The reporting is an important source of improvement and reducing the risk of incidents and accidents.

SAFETY awards were presented for the first time in 2014. The awards go to one internal working group and one external supplier who have excelled at safety work and who contribute to learning in Statnett. The 2014 awards went to Stasjonsgruppe Sauda and the contractor Kruse Smith Entreprenør AS.

Statnett conducts annual organisation surveys and we have received a high score from our employees regarding safety at work, job satisfaction and motivation.

In 2014, absence due to illness was 3.1 percent, unchanged from 2013. Statnett is making focused efforts to reduce absence due to illness. Various measures have been implemented, such as adaptation of individual workplaces and health-promoting measures including safety inspections and physical therapy. We have entered into agreements with various approved occupational health service providers who together cover the company's total need for such services. All employees are entitled to make active use of the services offered by the health scheme.

Absence due to illness	Unit	2014	2013	2012
Total	Percent	3.1	3.1	3.6
Short-term, 1 - 16 days	Percent	1.3	1.4	1.7
Long term (> 16 days)	Percent	1.8	1.7	2.0
Women	Percent	4.6	4.6	5.9
Men	Percent	2.7	2.7	3.0

Lost-time injuries ¹	Unit	2014	2013	2012
Lost-time injuries, own employees	Number	4	5	8
Injury frequency (OIFR1 value) ² , own employees	Frequency	1.9	2.5	4.4
Injury frequency (OIFR1 value) ² , including employees	Frequency	4.4	9.8	N.A
Lost-time injuries, contractors	Number	15	34	18

Injuries ³	Unit	2014	2013
Injuries, own employees	Number	6	8
Injury frequency (OIFR2 value) ⁴ , own employees	Frequency	2.8	4.5

Fatalities	Unit	2014	2013	2012
Fatalities, own employees	Number	0	0	0
Fatalities, contractors	Number	0	1	0
Fatalities, third parties ⁵	Number	0	0	0

Table

- 1 Work-related injury which resulted in absence beyond the day of the incident
- 2 Number of lost-time injuries per million hours worked
- 3 Total work-related injuries
- 4 Number of injuries per million hours worked
- 5 Registered fatalities among third-parties, occurred on or in connection with Statnett's facilities

Recruitment and employee development

Statnett is planning major development projects in the years ahead. In order to realise these projects, we will need to have sufficient necessary expertise. To cover our needs, we are investing in development, training and recruitment of employees in accordance with Statnett's strategy and values.

Statnett emphasises a good working environment with motivated and committed employees. The strategic expertise development process (SKUP) is well established in the enterprise. The process contributes to a systematic and uniform follow-up of objectives, conduct, performance, strengthened development opportunities, as well as ensuring that Statnett retains and develops strategically important expertise. As a part of SKUP, performance appraisals are conducted with all employees on an annual basis, and assessment meetings are held in all management groups. In Statnett, 2014 was characterised by leadership initiatives. New leadership expectations and the launch of a new manager development programme have highlighted the importance of the leader role.

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

Overall, the results from the 2014 survey were good and generally above the industry benchmark, and in some cases significantly above the benchmark for Norway. Compared with 2013, we have seen a marginal decline in several areas. However, in light of the extensive reorganisation process, which lasted beyond the first six months of 2014, the results have been encouraging.

Internal mobility and recruitment

Statnett invests broadly in the development and dissemination of expertise across the company. In 2014, 71 employees changed jobs internally in Statnett, compared with 53 in 2013. Statnett's strategic competence development process (SKUP) helps increase internal mobility. The enterprise has a long-term goal of directing more full-time equivalents towards strategically important project execution or operation tasks. The efforts to strengthen the internal job market have paid off in the last year.

Statnett recruited 109 new employees in 2014, compared with 143 in 2013. In 2014, Statnett had an overall staff turnover, excluding retirement, of 3.3 percent, compared with 3.7 percent in 2013. The increase in staff, combined with moderate retirement figures, provides a net increase of 233 full-time equivalents over the last four years.

Attracting talents from universities and university colleges is competitive, and the permanent trainee programme is one of Statnett's most important initiatives. In 2014, ten trainees participated in Statnett's trainee programme. In addition, Statnett had three trainees from a trainee collaboration between SINTEF, the Norwegian Water Resources and Energy Directorate (NVE) and grid companies in the industry. The exchange collaboration with Statnett's sister companies in Sweden and Denmark, Svenska Kraftnät and Energinet.dk has been evaluated and is scheduled to resume in 2015. Statnett will continue its collaboration with universities and university colleges to increase its employer attractiveness among relevant students. Job fairs, company presentations and sponsoring activities organised by students are the most common measures. Statnett also provides opportunities for students to work in summer jobs, and to write project papers and master's theses.

Statnett has maintained a strong focus on apprentices throughout 2014, particularly within electrical power engineering and more recently within ICT. This may be extended to include other disciplines, in line with the intentions of political authorities and employee and employer organisations. In 2014, Statnett stepped up its activities in the Energy School collaboration project, where Statnett's own employees are involved in power system training at upper secondary schools.

Employer attractiveness among graduates, Universum ranking¹

	Unit	2014	2013	2012
Graduates, technical education	Rank	33	32	32
Professionals, technical education	Rank	30	25	31
Graduates, finance/economics education	Rank	73	83	95
Professionals, finance/economics education	Rank	-	94	74
Graduates ICT education	Rank	-	-	-
Professionals, ICT education	Rank	50	41	25

Table

¹ Employer attractiveness among graduates and employees with 5 years of experience, respectively. Universum ranking (The Norwegian Professional Survey). Rank only up to 100 (50 for ICT graduates).

Gender equality and diversity

Statnett wants a diverse and varied organisation. All our job advertisements encourage people to apply for a position in Statnett, regardless of ethnicity, gender or age. In 2014, 8.3 percent of new recruits were from non-Norwegian backgrounds. At the end of 2014, Statnett had approximately 60 employees from non-Norwegian backgrounds.

Statnett has for many years focused on providing women and men with equal opportunities in management and technical positions. During the period 2005-2013, the percentage of women in management positions increased from approximately 20 to 25 percent. At the end of 2014, this share had increased to 28.1 percent. The total percentage of women has also increased from 25 percent in 2013, to 25.4 percent in 2014. Statnett will continue its work to achieve a more even gender balance. We wish to promote the participation of women in the boardroom across the Statnett Group, and take a positive view of our female employees being elected to the boards of other companies. In 2014, the percentage of women in Group management constituted 29 percent. The percentage of women among representatives elected by the owners on the Board of Directors was 50 percent.

In Statnett, women and men in comparable positions receive equal pay. Staff surveys show that both genders believe that women and men have equal opportunities in Statnett.

We have set up practical schemes designed to allow women and men to combine work and family life successfully. Statnett runs its own day-care facilities in Oslo, has a scheme of extended parental leave for employees with young children, and practises flexible working hours.

Employees ¹	Enhhet	2014	2013	2012
Total number of employees	Number	1 121	1 079	994
Full-time equivalents	Number	1 100	1 060	973
Position, percentage of full-time position, men	Percent	99.7	99.7	99.4
Position, percentage of full-time position, women	Percent	96.9	97.1	96.5
Temporary employees	Number	78	63	71
Trainees	Number	10	9	8
Apprentices	Number	26	22	27

Table

1 Includes only Statnett SF

Ethics Ombudsperson

Statnett has appointed its own Ethics Ombudsperson whose duty it is to strengthen the legal protection of employees and to help uncover censurable conditions and shortcomings within the company. In Statnett, the office of Ethics Ombudsperson is held by a lawyer in our Legal Department.

The ethics ombudsperson scheme was established in 2006. The objective of the scheme is to satisfy the requirements in the Norwegian Working Environment Act relating to notification or whistleblowing. Section 3-6 of the Working Environment Act only applies to "internal notification", i.e. notifications from own employees and employee representatives. The Ethics Ombudsperson shall therefore be a function where Statnett employees anonymously or in confidence can raise an issue which the employee would like highlighted or addressed. Furthermore, the Ethics Ombudsperson is responsible for receiving and considering censurable conditions notified by people other than employees or employee representa-

tives. When considering an issue, the Ethics Ombudsperson must follow the same procedures as for notifications from employees and employee representatives.

A "whistleblower" is a person who reports censurable conditions, as described in Section 2-4 of the Working Environment Act, including its travaux préparatoires and other sources of law. A reported censurable condition is considered a "notification". The Ethics Ombudsperson receives and processes notifications. The Ethics Ombudsperson must also receive and process issues that cannot be classified as a notification, unless it is obvious that the issue is not covered by what can be defined as the Ethics Ombudsperson's area of responsibility. In accordance with his or her mandate, the Ethics Ombudsperson must perform an individual and appropriate delimitation of his or her activities, relating to e.g. ordinary personnel issues and cases that are logically handled by trade unions, safety delegates, etc.

The Ethics Ombudsperson must ensure that the whistleblower, insofar as possible, has full anonymity if he or she so requests. The Ethics Ombudsperson must then act in a manner that conceals the identity of the whistleblower, also after the issue has been concluded. The Ethics Ombudsperson shall receive and process cases that he or she receives anonymously. If a notification to the Ethics Ombudsperson (1) relates to a serious breach of law, (2) is of such a nature that it can seriously harm Statnett's reputation, (3) relates to serious misconduct as defined in this procedure or (4) the Ethics Ombudsperson for other reasons finds that the content of the notification is of a serious nature, the Ethics Ombudsperson must present the notification to Statnett's internal auditor according to his or her own mandate, as well as to a person permanently appointed by the President and CEO of Statnett. The internal auditor and the employer representative must evaluate the notification, and together determine the further process and procedure.

The Ethics Ombudsperson scheme has helped put ethics higher on Statnett's agenda and make staff far more aware of ethical issues. Statnett continues to note considerable commitment and interest among staff in the ombudsperson scheme and in ethical matters in general. A presentation from the Ethics Ombudsperson shall be a permanent part of courses for new employees in the company. Information about the scheme is also available via the Intranet and Statnett's homepage. The Ethics Ombudsperson reports annually to the Group management and to the Board of Directors concerning the number of notifications and the number of cases dealt with. The Ombudsperson handled 15-20 cases in 2014, about the same number as last year. The Ombudsperson also handled a number of minor matters.

Other GRI indicators

Age profile ¹	Unit	2014	2013	2012
Employees < 30 years old	Number	107	107	96
Employees 30 - 39 years old	Number	234	211	182
Employees 40 - 49 years old	Number	334	336	336
Employees 50 - 59 years old	Number	335	305	261
Employees > 60 years old	Number	112	121	120
Average age	Years	45.5	45.6	45.8
Average retirement age	Years	68.1	67.3	65.5
Average seniority	Years	9.2	9.5	10.1

Table

1 Includes only Statnett SF

Education ¹	Unit	2014	2013	2012
Civil engineers	Number	344	326	296
Engineers	Number	215	207	196
Technical education/certificate of apprenticeship	Number	253	256	237
Master of Science and Economics/Economist	Number	93	85	78
Other university/university college degree	Number	130	121	104
Commercial	Number	87	37	36
Other	Number	51	48	48

Table

1 Includes only Statnett SF

GRI

Statnett's CSR reporting is in accordance with the Global Reporting Initiative (GRI) guidelines for the electricity industry (GRI Sustainability Reporting Guidelines & Electric Utility Sector Supplement).

Statnett's CSR reporting for 2014 has been integrated in Statnett's 2014 annual report. Statnett believes that in all material respects the reporting is consistent with GRI's reporting principles and that it satisfies level B pursuant to the guidelines.

The table shows where in Statnett's 2014 annual report information about each issue and the main GRI indicators may be found, irrespective of whether this is fully or partly described. Indicators marked with an asterisk * are additional indicators which we have reported on.

GRI-code	Title	Reference to Statnett - 2014 annual report
Strategy and analysis		
1.1	Statement from the President and CEO	President and CEO summary
1.2	Description of key impacts, risks and opportunities	Strategy Highlights Corporate social responsibility (CSR) Board of directors' report 2014
Organisation		
2.1	Name of the organisation	Statnett SF
2.2	Primary brands, products and / or services	Highlights Board of directors' report 2014 President and CEO summary
2.3	Operational structure of the organisation	Corporate governance
2.4	Location of organisation's headquarters	Note 1 General
2.5	Countries where the company operates	Board of directors' report 2014: Employees and organisation
2.6	Nature of ownership and legal form	Corporate governance: 1. Corporate governance
2.7	Markets served	Not covered
2.8	Scale of the reporting organisation	Board of directors' report 2014: Employees and organisation CSR: Employees
2.9	Significant changes regarding size, structure or ownership	Board of directors' report 2014: Employees and organisation CSR: Employees
2.10	Awards received	CSR: Employee development
EU1	Installed capacity	Not relevant for Statnett
EU2	Net energy output	Not relevant for Statnett
EU3	Number of customer accounts	Not covered
EU4	Length of transmission and distribution lines	CSR: Climate and the environment: Biodiversity and disruptions to the landscape
EU5	Allocation of CO ₂ emissions allowances or equivalent	CSR: Climate and the environment: Climate

GRI-code	Title	Reference to Statnett - 2014 annual report
Reporting parameters		
3.1	Reporting period	2014
3.2	Date of most recent previous report	Annual report 2013
3.3	Reporting cycle	Annual
3.4	Contact point for questions regarding the report	Knut Hundhammer
3.5	Process for defining report content	CSR: CSR organisation
3.6	Boundary of the report (organisational)	CSR: Statnett's CSR reporting
3.7	Limitations on the scope or boundary of the report (issue)	CSR: Statnett's CSR reporting
3.8	Basis for reporting on joint ventures, subsidiaries etc.	CSR: Statnett's CSR reporting
3.9	Data measurement techniques and the basis of calculations	CSR: Statnett's CSR reporting
3.10	Explanation of the effect of any re-statements	CSR: Statnett's CSR reporting
3.11	Significant changes regarding scope or boundaries	CSR: Statnett's CSR reporting
3.12	Overview of reported indicators	Statnett's GRI table
3.13	Practice for external assurance for the report	CSR: Statnett's CSR reporting
Governance, commitments and engagement		
4.1	Governance structure of the organisation	Corporate governance: 1. Corporate governance
4.2	Whether the Chair of the Board also is an executive officer	Presentation of the Board of Directors Corporate governance: 8. Corporate assembly and Board of Directors, composition and independence
4.3	Independent and/or non-executive members of the board	Presentation of the Board of Directors
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board	Corporate governance: 7. Election committee Corporate governance: 8. Corporate assembly, Board of Directors, composition and independence
4.5	Compensation for members of the board and senior executives and performance	Note 19
4.6	Board processes to ensure that conflicts of interest are avoided	Corporate governance
4.7	Process for determining the qualifications of the board members	Corporate governance
4.8	Internally developed missions or values etc.	CSR Corporate governance
4.9	Board procedures for overseeing the organisation	Corporate governance
4.10	Processes for evaluating the board's own performance	Corporate governance
4.11	Precautionary approach	CSR
4.12	Externally developed principles or initiatives to which the organisation subscribes	CSR Corporate governance
4.13	Membership of associations	CSR
4.14	List of stakeholder groups engaged by the organisation	CSR
4.15	Identification and selection of stakeholder groups	Not included in the 2014 annual report

GRI-code	Title	Reference to Statnett - 2014 annual report
Economics		
EU6	Short and long-term electricity availability and reliability	CSR: Statnett and society: Security of supply
EU7	Demand-side management programmes for reduced energy consumption	Not relevant for Statnett
EU8	Research and development activity and expenditure	CSR: Innovation and R&D work
EU9	Provisions for decommissioning of nuclear power sites	Not relevant for Statnett
EC1	Economic value generated and distributed	CSR: Statnett and society: Distribution of value created
EC2	Financial implications, risks and opportunities due to climate change	CSR: Statnett and society: Innovation and R&D CSR: Climate and the environment
EC3	Coverage of the organisation's defined benefit plan obligations	Note 1
EC4	Financial assistance received from government	Note 1
EC5 *	Range of ratios of standard entry level wage compared to local minimum wage	Pursuant to regulations
EU11	Average generation efficiency of plants based on fossil fuel	Not relevant for Statnett
EU12	Transmission and distribution losses	CSR: Climate and the environment: Emissions from Statnett's operations: Energy use and grid losses
Environment		
EN3	Direct energy consumption	CSR: Climate and the environment: Emissions from Statnett's operations: Energy use and grid losses
EN11	Protected areas and areas of high biodiversity value	CSR: Climate and the environment: Power grid and cables CSR: Climate and the environment: Biodiversity and disruptions to the landscape
EN12	Significant biodiversity impacts and areas of high biodiversity value	CSR: Climate and the environment: Power grid and cables
EN14 *	Strategies, current actions, and future plans for managing impacts on biodiversity	CSR: Climate and the environment: Biodiversity and disruptions to the landscape
EN16	Direct and indirect greenhouse gas emissions	CSR: Climate and the environment: Climate
EN22	Total weight of waste and disposal method	CSR: Climate and the environment: Emissions from Statnett's operations
EN23	Significant spills	CSR: Climate and the environment: Emissions from Statnett's operations
EN26	Mitigation of environmental impacts of products and services	CSR: Climate and the environment: Emissions from Statnett's operations
EN27	Products and packaging materials that are reclaimed	CSR: Climate and the environment: Emissions from Statnett's operations
EN28	Fines and sanctions related to environmental issues	CSR: Employees: Health, safety and the environment

GRI-code	Title	Reference to Statnett - 2014 annual report
Employee follow-up		
EU14	Programmes and processes to ensure availability of a skilled workforce	CSR: Employees: Employee development
EU15	Percentage of employees eligible to retire in the next 5 to 10 years	CSR: Employees: Age profile
EU16	Policies and requirements regarding health and safety training	CSR: Employees: Health, safety and the environment
LA1	Workforce	CSR: Employees: Employees
LA2	Turnover	CSR: Employees: Internal mobility and recruitment
EU18	Percentage of contractor/subcontractor employees that have undergone relevant health and safety training	CSR: Employees: Health, safety and the environment
LA4	Employees covered by collective bargaining agreements	Regulated by Norwegian law
LA5	Minimum notice period(s) regarding significant operational changes/restructuring	Regulated by Norwegian law
LA7	Injuries and occupational illness, lost days and absenteeism	CSR: Employees: Health, safety and the environment
LA11 *	Skills management and lifelong learning	CSR: Employees: Employee development CSR: Employees: Internal mobility and recruitment
LA12 *	Percentage of employees with performance and career development reviews	CSR: Employees: Employee development
LA13	Composition of governance bodies and breakdown of employees per category	CSR: Employees: Gender equality and diversity
LA14	Ratio of basic salary of men to women	CSR: Employees: Gender equality and diversity
Human rights		
HR2	Suppliers and contractors assessed as regards respect of human rights	Pursuant to regulations
HR4	Incidents of discrimination	No cases registered
HR5	Risk identification on freedom of association and collective bargaining	No cases registered
HR6	Risk identification on child labour	No cases registered
HR7	Risk identification on forced or compulsory labour	No cases registered
HR9 *	Violations involving rights of aboriginal people	No cases registered

GRI-code	Title	Reference to Statnett - 2014 annual report
Society		
	Disclosure on management approach	
EU19	Stakeholder participation in development plans and projects	CSR: Statnett's CSR reporting: Stakeholder dialogues
EU21	Contingency planning measures and training programmes	CSR: Statnett and society: Preparedness
SO4	Actions taken in response to incidents of corruption	No corruption cases
SO6 *	Financial and in-kind contributions to political parties, politicians and other related institutions	No cases registered
SO7 *	Actions for anti-competitive behaviour	No cases registered
SO8	Fines and sanctions for non-compliance with laws and regulations related to corruption, discrimination, accounting fraud etc.	No cases registered
Product responsibility		
	Disclosure on management approach	
PR1	Health and safety impact assessments in the lifecycle of product and services	CSR: Statnett and society: Electromagnetic fields
EU25	Injuries and fatalities to third parties	CSR: Employees: Health, safety and the environment
PR5 *	Customer satisfaction	CSR: Statnett and society: Reputation and visibility
EU28	Power outage frequency	CSR: Statnett and society: Security of supply
EU29	Power outage duration	CSR: Statnett and society: Security of supply
EU30	Average plant availability	Not relevant for Statnett

Corporate governance

Good corporate governance enables Statnett to fulfil its social responsibilities by clearly defining the distribution of roles between the owner, Board of Directors and the administration, and set the framework for desired conduct in the company. Statnett adheres to the Norwegian State's principles for sound corporate governance, and has also decided to report compliance with the Norwegian Code of Practice for Corporate Governance (www.nues.no). Deviations from the Code of Practice are explained.

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

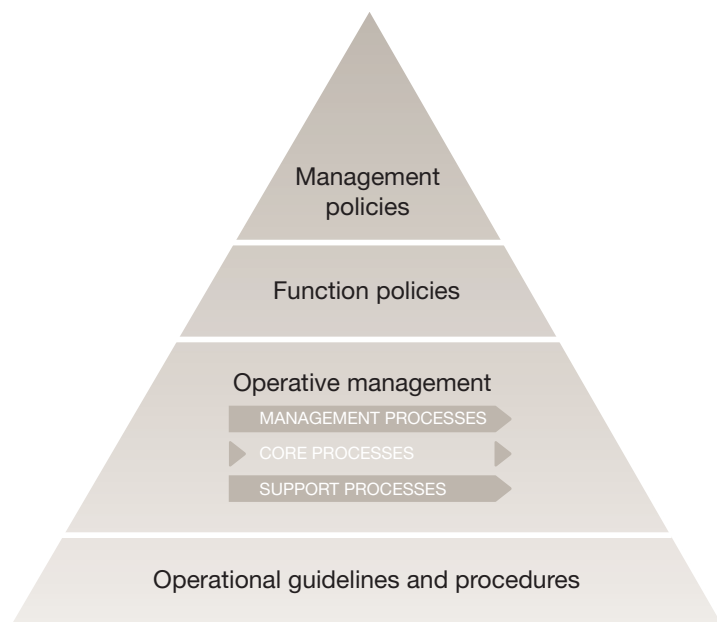
1. Statement on corporate governance

Statnett is a state enterprise, established under the Act relating to state-owned enterprises and owned by the Norwegian State through the Ministry of Petroleum and Energy (MPE). The Minister's administration of ownership is exercised under constitutional and parliamentary responsibility. The enterprise is independent and wholly responsible for its obligations.

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

Statnett's governing bodies establish the framework for the enterprise's activities. These comprise constitutional principles related to the public ownership, the Norwegian State's corporate governance principles, as well as articles of association and decisions made by the Enterprise General Meeting. The Board of Directors ensures that Statnett has a sound corporate governance by outlining corporate governance framework and by clarifying the enterprise's value base, ethical guidelines, corporate social responsibility policy and principles for management and control. Along with the instructions to the Board of Directors and instructions to the President and CEO, this framework constitutes the key governing documentation in Statnett.

Statnett's corporate governance framework consists of four levels of documented guidelines:



Figure

LEVEL 1: Guidelines adopted by the Board of Directors, referred to as management policies. These relate to our values, ethical guidelines, corporate social responsibility, governance, management and control policy as well as asset management policy.

LEVEL 2: Function policies stipulate common principles including guidelines for decisions and conduct.

LEVEL 3: Description of Statnett's main processes, their sequence, deliveries, roles and responsibilities, taking into account common function policy principles and instruction requirements.

LEVEL 4: Guidelines of an operational nature such as procedures, instructions, checklists and manuals.

Statnett focuses on quality management and continuous improvement, and is certified according to PAS 55 (quality standard for asset management) and ISO 14001 (environmental management).

2. Business

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

Section 2 of Statnett's articles of association stipulates that "Statnett SF is the Transmission System Operator in the Norwegian power system." As Transmission System Operator, Statnett is responsible for ensuring that there is an instantaneous balance at all times between production and consumption of electric power in Norway. Our System Operator role is described in more detail in the Regulations relating to system operation.

Furthermore, Statnett's objects clause stipulates that "the enterprise is responsible for ensuring efficient operations in a social economy perspective and for developing the main power grid. Statnett SF shall, alone or with others, plan and engineer, build, own and operate transmission facilities. Statnett SF will execute the tasks assigned to the company pursuant to applicable laws, regulations and licences. In other respects, Statnett SF will adhere to commercial principles." Statnett's articles of association are available on our web site.

Statnett has defined its mission, values, main objectives and strategy:

Statnett's mission

Statnett will facilitate the development of the next generation power system by 2030.

Statnett's values

Statnett's values are a long-term perspective, respect and community.

Statnett's main objectives:

- Security of supply

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

- Value creation

Statnett's services shall create value for customers and for Norwegian society in general.

- Climate

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

You can find more information on Statnett's main goals and strategy in the 2014 annual report.

3. Equity and dividends

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

The owner's dividend policy is stipulated in the government budget. In Proposition to the Storting No. 1 (2011-2012), the Norwegian government has established a long-term dividend policy of 50 percent of the defined dividend basis. In connection with Statnett's request for new equity Statnett requested that no dividends should be paid for the 2013 fiscal year, and amended its dividends policy from a dividends percentage of 50 to 25 percent for the fiscal years 2014, 2015 and 2016. The basis for the dividend is defined as the Group's net annual profit after tax, adjusted for changes in the balance for higher/lower revenue for the year after tax.

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

4. Equal treatment of owners and transactions with closely related parties

Statnett SF is wholly-owned by the Norwegian State through the Ministry of Petroleum and Energy (MPE). Consequently, the enterprise has no guidelines for equal treatment of various owners.

For major transactions between the enterprise and related parties, Statnett performs value assessments prepared by independent third parties in accordance with national legislation.

Statnett's ethical guidelines states that employees must report any potential issues related to conflict of interest. The Ethics Ombudsperson function has been established as a whistle-blowing channel.

5. Freely negotiable

Statnett is a state enterprise without transferable ownership interests.

6. The Enterprise General Meeting

The Ministry of Petroleum and Energy is the enterprise's supreme decision-making body through the Enterprise General Meeting.

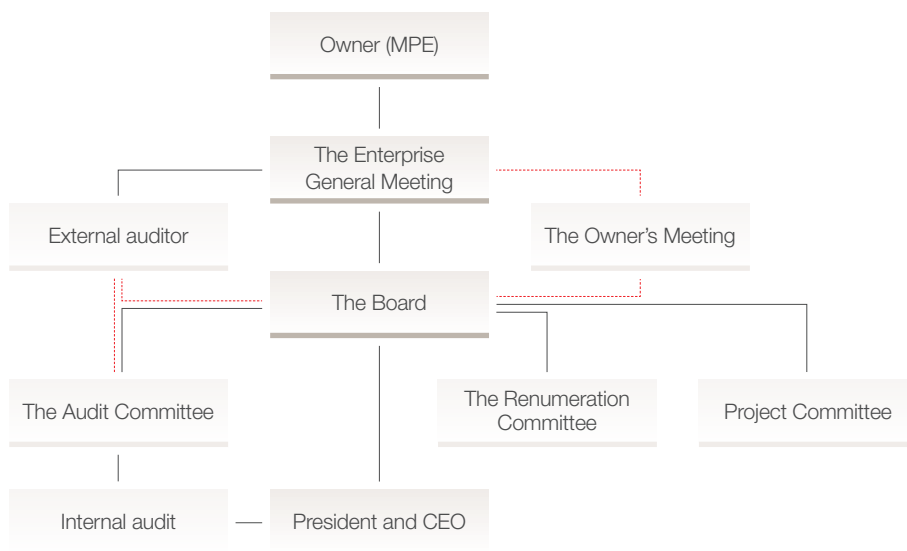
The following issues are discussed and settled at the Enterprise General Meeting:

Adoption of the enterprise's profit and loss account and balance sheet, including distribution of profit or coverage of loss for the year, adoption of the Group's consolidated profit and loss account and balance sheet. In addition, any other matters are discussed pertaining to the General Meeting according to Norwegian laws and regulations, including election of the Statnett Board of Directors and stipulation of remuneration for board members and the board committee. The Board of Directors and the company's auditor attend the Enterprise General Meeting.

The Ministry of Petroleum and Energy's authority in the enterprise may not be exercised outside the Enterprise General Meeting. The General Meeting adopts Statnett's articles of association, including Statnett's objects clause which provides the framework for the operations that Statnett may undertake. An ordinary general meeting is held every year by the end of June.

7. Election committee

Statnett has no election committee. The MPE designates the enterprise's board members at the Enterprise General Meeting.



Figure

Overview of Statnett's governance structure at the end of 2014. The formal reporting lines are shown as solid lines.

8. Corporate Assembly and Board of Directors: composition and independence

Statnett has no corporate assembly. The enterprise's Board of Directors shall consist of seven to nine members, in addition to any deputy members. Two, or possibly three members, and any of their deputy members are appointed by and among the enterprise's employees according to the relevant rules laid down in Section 20 of the Act relating to state-owned enterprises and associated regulations. Pursuant to Section 21 of the Act relating to state-owned enterprises, board members are elected for a period of maximum two years, but will remain in office until a new member has been elected even though his/her term of office has expired.

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

Pursuant to the Act relating to state-owned enterprises, the President and CEO cannot be a member of the board. With the exception of employee representatives, members of the Board of Directors are independent of the enterprise and the owner.

The Board of Directors had an attendance record of 99.28 percent in 2014. The table below shows the attendance of each board member at board meetings and subcommittees.

	Board Meeting (10 meetings)	The Audit Committee (9 meetings)	Project Committee (9 meetings)	"Remuneration Committee (2 meetings)"
Kolbjørn Almlid	10			
Per Hjorth	10	9		
Maria Sandsmark	10	9		
Egil Gjesteland	10		9	
Kirsten Indgjerd Værdal	10			2
Synne Larsen Hømle	9			
Trine Pande-Rølfesen (tiltrådte juni 2014)	5			
Steinar Jøråndstad	9	9		
Pål Erland Opgård	9		9	2
Kjerstin Bakke (fratrådte juni 2014)	5			
Karianne Burhol (vara for Pål E. Opgård)	1			

9. The work of the Board of Directors

The Board has responsibility for the proper leadership, management and control of Statnett and establishes annual plans for their work in line with Statnett annual planning cycle. Instructions clarify roles and responsibilities between the Board, CEO and internal audit and helps to ensure clear roles and responsibilities. The Board outlines instructions for the CEO, approves the corporate strategy and ensures that Statnett is appropriately organized. The Board approves the annual budget; ensure that Statnett has an appropriate internal control environment, a reliable management of financial assets and a good working environment. Statnett's ethical guidelines states that board members must report any potential issues related to conflict of interest. The Board conducts an annual evaluation of its work and competence in order to ensure good quality in its work.

The Audit Committee

The audit committee is a preparatory body for the Board. The Audit Committee prepares the Board's supervision of the financial reporting process, follows up the Statnett framework for enterprise risk management and internal control, including internal audit. Furthermore, the Committee has ongoing contact with the Independent external auditor on the audit of the enterprise and monitors the auditor's independence in accordance with the collar of the Audit and Auditors Act.

Remuneration Committee

The compensation committee assists the Board in its efforts to determine the CEO's employment terms and principles, as well as guidelines for remuneration of Statnett's Group Management. In accordance with Section 8 of the articles of association, the Board prepares a statement on executive pay in accordance with the provisions in the Public Limited Liability Companies Act, the Norwegian Accounting Act, and the Guidelines relating to state-owned companies. See also Note 19 in the financial statement.

Project Committee

The Committee works as a preparatory body for the Board in monitoring Statnett's development projects that require board approval. The Committee's objective is to ensure good project ownership and the committee focus on projects from the investment decision (BP2) in Statnett project model. Project Committee submits its assessments to the board, but does not make decisions on behalf of the Board. The committee reviews its mandate annually and propose updates if necessary.

10. Risk management and internal control

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

Combined with the enterprise's organisation, performance management and reporting lines, Statnett's ethical guidelines and value base make up the foundation for a good internal control environment. Internal control is an integral part of corporate governance and is based on the principle of three lines of defence (manager, policies manager/staff and internal auditor). Quarterly management reporting is conducted as part of the follow-up, including a review of HSE results and financial key figures. In order to strengthen the work on internal control, responsibility has been clarified in the organisation and a project has been initiated to describe and improve the critical work processes. The Board of Directors reviews and assesses the enterprise's internal control procedures on an annual basis.

Statnett publishes quarterly financial reports. The external and internal reporting is reviewed by the Group management, the Audit Committee and the Board of Directors.

Internal control and financial reporting

A separate policy has been developed for accounting and financial reporting. An overview has been established of control activities conducted to ensure correct financial reporting, and risk assessments are performed of the most important processes when necessary. The Audit Committee, internal auditor and the Board monitor the enterprise's internal control systems.

Ethical guidelines

Statnett's ethical guidelines cover areas that are important to ensure good business ethics in all aspects of our activities. The guidelines lay down specific and practical rules, and set standards for the conduct of all employees. Statnett has appointed an Ethics Ombudsperson who is responsible for ensuring compliance with the Norwegian Working Environment Act with respect to facilitating reporting of censurable conditions. Failure to comply with the ethical guidelines may result in sanctions, depending on the nature and scope of the breach. The ethical guidelines apply to board members, managers, employees, contractor personnel and any other party acting on behalf of Statnett.

Ethical guidelines for contractors

Statnett puts particular emphasis on ensuring that our suppliers and partners comply with our ethical guidelines for suppliers. The suppliers' obligation to comply with the ethical requirements is stipulated in the contracts we enter into with our suppliers. Inspections and audits are conducted in order to make sure that the requirements are complied with during execution of the contracts. The ethical guidelines for employees and contractors are available in their entirety on Statnett's web site.

11. Remuneration of the Board of Directors

See Note 19 in the annual accounts for a detailed overview of Board remunerations.

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

12. Remuneration of executive employees

Statnett follows the guidelines that apply for executive pay in state enterprises. In accordance with Section 8 of the articles of association, the Board of Directors prepares a statement concerning remuneration to the President and CEO and the Group management in accordance with the provisions in the Public Limited Liability Companies Act, the Norwegian Accounting Act, and the Guidelines relating to state-owned companies.

See Note 19 in the annual accounts for a detailed overview of remuneration of executive employees.

13. Information and communication

Transparency

Statnett is governed by the Freedom of Information Act (with a few exemptions), regulations relating to dissemination of information to the power market and safety and preparedness legislation. The Board of Directors has stipulated guidelines for reporting. Statnett distributes financial and operational information in accordance with the regulatory requirements and practises transparency and openness. Financial and operational information as well as the enterprise's financial calendar are available on Statnett's website.

Owner's Meeting

In addition to the dialogue with the owners which takes place at the Enterprise General Meeting, the owner also promotes communication between the Board of Directors and the owner outside the General Meeting. The purpose of the Owner's Meeting is to provide an informal forum where the Board of Directors and the owner can exchange opinions and discuss issues of great financial or strategic importance to Statnett. The views expressed by the owner at the Owner's Meeting provide input for Statnett's administration and Board of Directors. Issues requiring owner approval must be discussed at the Enterprise's General Meeting.

14. Company takeover

Statnett SF is a state enterprise. The sale of assets would entail a restructuring of the business organisation and a legal amendment which requires the consent of the Norwegian Parliament.

15. Auditor

External auditors are appointed by the General Meeting and are independent of Statnett. The enterprise's external auditor for 2014 was Ernst & Young AS. The external auditor presents an annual work schedule to the Audit Committee. The external auditor attends meetings in the Audit Committee to discuss relevant issues. The auditor participates in the Board's consideration of the annual accounts. The external auditor attends one annual Board meeting where the management is not present. The Audit Committee evaluates and proposes an external auditor and is responsible for monitoring the auditor's independence. As an important part of the process of ensuring the auditor's independence, the Board of Directors has established guidelines relating to the enterprise's access to use the external auditor for assignments other than audits. Each year, the external auditor reviews the company's internal control together with the Audit Committee. See Note 23 of the financial statement for information about the auditor's fees, divided between auditing and other consulting services.

Risk management

Statnett practises unified risk management which reflects that the enterprise is responsible for critical infrastructure in a vulnerable society, and that the enterprise is in a phase with a significant project volume as well as increase in facilities. A secure supply of electric power forms the basis for a stable supply of electricity to the end-users, value creation and realisation of climate-friendly solutions. Statnett's risk management covers the enterprise's entire perspective, including strategic, commercial, operational and financial aspects.

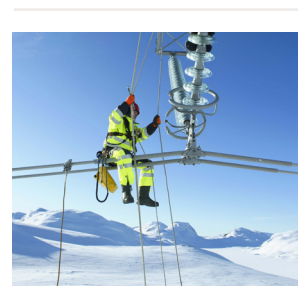
There is a strong focus on risks with a potential impact on HSE, supply of electric power, finances, reputation and compliance, and consequences at the enterprise level will take priority. Statnett's tolerance for risks with a potential impact on HSE and supply of electric power is low. Important activities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

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

Statnett works systematically to review any risks associated with our activities. The Board of Directors receives a risk report for the Group every quarter. All development projects approved by the Board of Directors are reported to the Board and include an updated risk profile for the individual project. Statnett's activities are subject to comprehensive regulations from several regulatory bodies. Statnett's compliance with these regulations helps ensure low risk in connection with supply of electric power.

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

Below follows a description of selected risks within Statnett's prioritised risk areas.



HSE

Statnett's work relating to development, operations and maintenance involves work where there is a risk of serious personal injury. Examples include helicopter accidents, falling from heights, injury in connection with heavy machinery, electrocution, traffic accidents, diving accidents and shipwrecks.

The number of lost-time injuries were reduced by 50 percent compared with 2013 (19 compared with 39), and there has been a positive trend in the lost time incident frequency (OIFR values) the last year. The HSE risk is reduced by focusing on sound, documented work processes, use of risk analyses during planning and implementation, close collaboration with suppliers, reporting of incidents and near misses in a learning perspective and considerable management follow-up. With regard to most HSE risks, Statnett has a lower than national average incident frequency, including incidents relating to public road transport, use of helicopters and electrical safety. Statnett has a wide range of procedures which cover how risky operations should be performed and our contractor expectations are clearly communicated. Better compliance will reduce the risk level further. Efforts are being made to further improve the HSE culture, e.g. through the information programme "SIKKER" (SAFE), the SIKKER award (HSE award) and introduction of a colleague programme.

Statnett works actively to reduce the likelihood of events with consequences for the external environment. This means that Statnett generally face few incidents with high-risk potential.

Risk of power supply interruptions

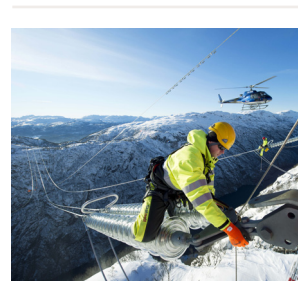
Interruptions in the electricity supply may occur as a result of a fault in a single component during N-0 operation or as a result of concurrent faults in situations with normal operational reliability. The most important risk-reducing measures are Statnett's investment projects. The number of hours with N-0 operation depends on the grid structure, level of consumption as well as the extent of any grid outages due to faults, maintenance and modifications.

An increase in N-0 operation hours increases the risk of supply interruptions. Some of the consumption is constantly supplied in N-0, such as the process facility for Ormen Lange in Nyhamna. Statnett's licence to start the back-up power plant in Nyhamna has reduced the impact of an outage on the 420 kV Viklandet-Fræna power line.

For areas supplied by N-1 operation, at least two faults must occur before supply is interrupted. The main reasons for concurrent faults are extreme weather, operational incidents during grid work as well as other extreme incidents. Concurrent faults are less likely to occur than single faults. However, these may last longer and be more extensive.

Risks relating to systems and operation

The frequency quality in the Nordic region, measured as the number of minutes outside the 49.9 - 50.1 Hz frequency band, is not as good as we would like. Frequency deviations are indicators of the risk in the system. If an incident should occur in the Nordic power system during a situation which cannot be covered by available reserves, the frequency may fall to a level where consumption is disconnected. Together with the other Nordic TSOs, Statnett has established a market for automatic reserves, Frequency Restoration Reserves (FRR, known as secondary reserves) which will reduce frequency deviations. The FRR market is in the introduction phase with limited volumes, and has consequently had limited effect on the frequency quality so far.



Energy access

Risk relating to energy access for the system as a whole is currently considered to be normal. Measures that will be implemented to reduce the risk include purchase of energy options in consumption.

ICT security

In society, there is currently perceived to be an increasing threat against critical IT-infrastructure. The control centres and associated communication systems are critical ICT services. Loss of such services can make it challenging to handle system operations, for instance in the event of faults in grid facilities or major changes in generation and consumption. Historically, Statnett has had high uptime for this type of services. Should a loss of services still occur, preparedness measures are in place involving increased staffing of control centres and substations, as well as implementation of a number of manual system operation routines. Statnett assesses risk continuously and implements risk-reducing measures. Statnett cooperates with other major stakeholders to strengthen protection against cyber-attacks through a joint company - KraftCERT.

Reputational risk

Reputational risk depends on the overall effect of the response intensity and duration, as well as the respondent's influence. It is important to have good processes for the assessment of the organization's reputation risk and this requires a good cooperation within the entire organization. The energy sector is strongly regulated and the development trend points towards even more regulation to achieve political objectives. Furthermore, power lines historically represent controversial disruptions to the landscape and Statnett's facility upgrades will affect many of the country's municipalities in the coming decades. Statnett is dependent on society's acceptance of any disruptions to the landscape as a consequence of our activities. A majority of the Storting supports the main aspects of the Grid Report, which to a large extent encompasses Statnett's activities.

Risk of misconduct

Misconduct exists when employees, employee representatives or business connections violate the trust that has been placed in them to achieve an unjustified advantage. Key measures to reduce the risk are Statnett's value base and code of conduct, structured processes including in connection with acquisitions and continuous management follow-up and internal control.

Financial risk

The Board of Directors has established principles for financial risk management for Statnett through the adopted financial policy. Based on this financial policy, Statnett has established a framework for financial management, including limits in connection with credit risk, settlement risk and counterparty risk, as well as instructions for executing financial transactions. Internal control procedures have been established which are carried out independently.

Financial risk

Statnett has access to several credit markets and has a diversified maturity structure for its borrowings. This reduces the risk of Statnett not being able to refinance the company's loans during periods with little available capital. To be able to fund at least 12 months' revolving operation and investments without incurring any new debt, the enterprise has a credit facility totalling NOK 6.5 billion, valid until January 2018. Statnett has long-term credit ratings of A+ and A2 from Standard & Poor's and Moody's Investor Service, respectively.

Foreign exchange risk

Statnett's revenues are mainly in Norwegian Kroner (NOK), whereas some of the Group's expenses are in foreign currencies. Currency risk is minimised through several measures, including hedging foreign exchange exposure linked to major purchases in investment projects using currency futures contracts, as well as through the enterprise's revenue cap. All Statnett loans in foreign currency are converted to NOK through currency swap agreements.

Interest rate risk

The Group is exposed to interest rate risk through its loan portfolio, liquidity portfolio and financial hedges. Statnett SF is also exposed to interest rate levels on which the revenue cap for the grid operations are based (the NVE interest rate). Statnett reduces the interest risk rate and fluctuations in the result by adapting the interest rate on Statnett's debt so that it correlates to the extent possible with the NVE interest rate. To achieve the desired fixed-interest on the enterprise's debt, interest rate swap agreements linked to the underlying debt are used.

Credit risk

Statnett assumes credit risk by placing surplus liquidity in the bank and in securities. Statnett has limits which set credit rating requirements for credit counterparties and maximum exposure limits for each individual investment of surplus liquidity. Statnett is also exposed to credit risk through its role as responsible for balance settlement in the regulating power market. The risk is handled through established routines for security relating to players participating in the power market.

Counterparty risk

Statnett has counterparty risk vis-à-vis the company's derivative counterparties. In order to reduce the counterparty risk, Statnett has entered into credit support annex (CSA) agreements with major derivative counterparties.

Board of Directors' report

Statnett has the overall responsibility for ensuring a stable and secure supply of electricity in Norway and for facilitating a well-functioning power market.

The Statnett Group's underlying profit after tax amounted to NOK 1 284 million in 2014 (NOK 832 million in 2013). The underlying profit or loss is based on the regulated permitted revenue, whereas the recorded profit or loss will depend on stipulated tariffs and congestion revenues. The recorded net profit for the Group amounted to NOK 829 million in 2014 (NOK 82 million)

In 2014, Statnett met company objectives that are important for the development of the next generation power system. Investments in grid facilities and Statnett's project scope reached new record levels. Several new facilities that are critical for security of supply and central IT systems were commissioned. Despite the higher activity level, Statnett's improvement work within HSE resulted in a 50 percent reduction in lost-time injuries. Progress was also made in the work relating to the Nordic region and Europe, through commissioning of the Skagerrak 4 interconnector and implementation of price coupling in northwestern Europe. In order to promote further growth as well as increased cost efficiency, Statnett reorganised the company in 2014 and introduced a broad efficiency improvement programme, which is ongoing. This reduced controllable operating costs by an estimated 11 percent, compared with the 2013 budget. The 2014 employee opinion survey shows a continued high score. The high project activity level resulted in a number of outages in a currently highly utilised, ageing grid. More frequent extreme weather presents an additional challenge. In 2014, system operations maintained high quality also in challenging periods. Operations were stable and the power situation in Norway remained good throughout the year.

To maintain and improve security of supply, facilitate value creation and reduce emissions of greenhouse gases, Statnett is well underway with the development of the next generation power system. Statnett invested NOK 6 billion in 2014. These investments reflects a high level of activity, which is projected to continue in the years to come, and also includes significant reinvestments in existing plants and facilities.

Skagerrak 4, the fourth interconnector between Norway and Denmark, entered commercial operation in December 2014. The new cable increased transmission capacity between the two countries by 700 MW. The Eastern Corridor, the power line between Kristiansand and Rød, was commissioned at 420 kV voltage level. Together, these facilities contribute to a more reliable power supply and increased value creation through better opportunities for utilising the renewable energy generated in both Norway and Denmark. The last three of a total of nine cables for the Ytre Oslofjord interconnector also came online in 2014, and parts of the Ørskog-Sogndal power line were completed towards the end of 2014.

Statnett has a portfolio of development projects under planning and implementation. In September 2014, Statnett submitted its updated investment plan to the Norwegian Water Resources and Energy Directorate (NVE). Scheduled implementation of the projects generally follows the 2013 Grid Development Plan. However, adjustments have been made to the schedule and in cost estimates for certain projects. Statnett's NOK 50-70 billion investment portfolio for the next decade may be affected by, for instance, reassignment of priorities in the portfolio, new licensing terms and cost developments in the supplier market. Statnett recently made a decision to invest in an interconnector to Germany, and investment decisions are scheduled in the near future for several major projects. This means that Statnett will enter into contracts which commit the enterprise to invest significant amounts in the period leading up to 2020.

Statnett's future investments in the main grid will result in increased grid tariffs and will thus represent higher costs for the users. To the extent possible, Statnett will therefore try to balance grid measures, systemic measures, the use of ICT systems and market design solutions, to ensure security of supply as well as a cost-efficient development of the next generation power system. A good cooperation with the customers is important for Statnett to carry out its core tasks efficiently. Statnett meets customers in several arenas, and conducts an annual customer satisfaction survey to ensure that the customers' interests are maintained.

The Nordic and North European energy system is in change. This places new demands on the future Norwegian power system to ensure we maintain a robust grid and a flexible supply of energy. This assumes that Statnett as Transmission System Operator takes over the entire main grid in Norway, which corresponds to an increase in Statnett's facilities of approximately 15 percent. To facilitate new renewable energy and a projected Nordic power surplus, and to ensure security of supply in dry years, it is necessary to increase the power exchange capacity with power systems outside the Nordic region. The international interconnectors to Germany and the UK will contribute to increased value creation and security of supply during dry spells in Norway. The new cables will also improve security of supply in Germany and the UK, and balance variations in German and British renewable power production throughout the day.

Statnett puts Health, Safety and the Environment (HSE) first, directed at both regular operations and construction activities. The enterprise has improved its safety results and works systematically towards the objective of becoming the HSE leader among transmission system operators in Europe by the end of 2017, specified to a lost time injury rate (OIFR1 value) of two or lower. In 2014, Statnett's OIFR1 value was 4.4 (including contractors/suppliers), compared with 9.8 in 2013. The number of lost-time injuries was thereby reduced from 39 in 2013 to 19 in 2014. The company has good and stable results within electrical safety partly as a result of clear and effective guidelines incorporated over time. Statnett had lower energy consumption and greenhouse gas emissions in 2014 than previous years, and the company has not caused serious environmental incidents in 2014.

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

Statnett's financial position ability was strengthened by the injection of new equity in 2013 in addition to an improved underlying profit over the last two years. Statnett is focusing on maintaining its position

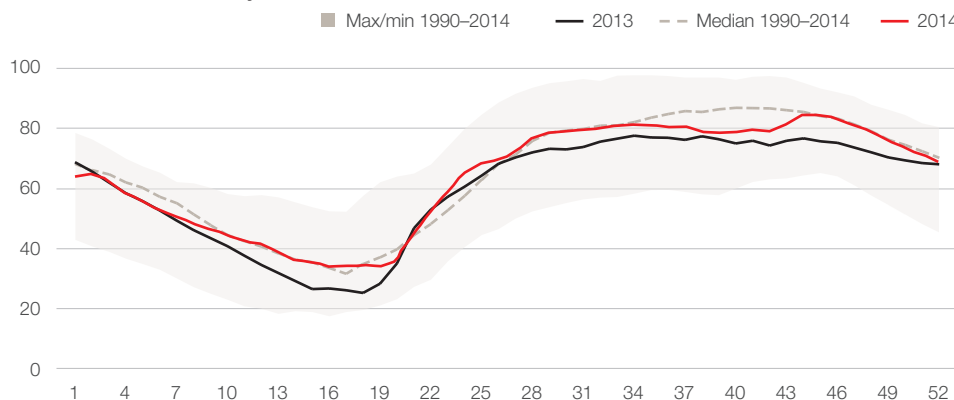
as one of the most cost-efficient TSOs in Europe. This is supported by a broad efficiency improvement program established in 2013 with the aim of increasing efficiency by 15 percent by the end of 2018. The program addresses controllable operating costs, measures to reduce the implementation time of projects and measures to reduce project unit costs. Efforts are also targeted the optimization of services costs. For 2014, Statnett had a subsidiary objective to reduce controllable operating costs by 5 percent compared with the 2013 budget. The financial result for the year shows a calculated improvement of 11 percent.

Security of supply

The energy situation has been good throughout 2014. At the beginning of 2014, there was a surplus in the hydrological balance of approximately three TWh. The average temperature for Norway as a whole was 2.2°C above normal, and the year was the hottest in a series dating back to the year 1900. Precipitation was at a normal level in 2014. Southern Norway had higher precipitation than normal, whereas precipitation was below normal levels in the Trøndelag region and Northern Norway. At the end of 2014, there was a shortfall in the hydrological balance of approximately three TWh.

Reservoir water levels in Norway were 68 percent at the beginning of 2014. At year-end, reservoir water levels were 69 percent, one percentage point below the median for the 1990-2014 measuring period. Unequal distribution of precipitation throughout the year resulted in substantial variations in reservoir water levels in the spot market areas at year-end. Reservoir water levels in Southern Norway (NO1, NO2, NO5) were above the median, whereas levels were below the median in Central and Northern Norway (NO3 and NO4).

Reservoir levels Norway



Overall power generation was 141 TWh in 2014, and the overall power consumption 126 TWh. The corresponding figures for 2013 were 133 TWh and 128 TWh respectively. Net export in 2014 was 15 TWh compared with net export of 5 TWh in 2013.

Operations were characterised by disconnections due to maintenance and development, and the need for special adjustments increased. The most extensive disconnection was related to construction of the power line between Ørskog and Sogndal, Rød-Hasle and the Eastern Corridor. From October, commissioning of Skagerrak 4 also reduced capacity on the Skagerrak interconnector.

There were several operational interruptions in 2014 that affected operations for shorter or longer periods:

- A fault in the voltage transformer in Ofoten on 21 February caused load shedding of about 220 MW north of Ofoten. All available resources were applied to increase generation, including the gas power plant on Melkøya. Most of the power lines resumed operation in less than an hour, and most of the shed load was restored within 30 minutes.
- On 13 and 14 March, the storm "Kyrre" caused power line outages in Central and Northern Norway, both in the 132kV and 420kV grid. In Lofoten, manual load shedding of consumption was necessary three times. An outage of Salten substation resulted in several instances of separate operation in Salten and the Helgeland area. Finnfjord, Rana Stålovn and Salten verk were down several times.
- Viklandet-Fræna was down on 16 March. Due to simultaneous modification work on the Viklandet-Ørskog power line, the entire grid from Molde to Åskåra was affected by a power outage, including Nyhamna (Ormen Lange). The grid was soon restored and supplied via 132 kV. Due to strong winds, the power line was not reconnected until the following morning. A permission to start the back-up power plant at Nyhamna was granted to secure supply to the Ormen Lange field, but this was not necessary.
- On 23 July, there was an outage in the 300 kV power line between Tegneby and Hasle, and the 420 kV Tegneby-Hasle power line was emergency disconnected due to a forest fire below the power lines. The incident resulted in special regulation in Southern Norway and repurchasing of peak power from Sweden as the capacity to Sweden was reduced. The power line was reconnected the next day.
- On 6 December, the 420 kV power line between Ørskog and Viklandet was disconnected due to an grounding fault. This resulted in an outage in Sunnmøre down to Åskåra. After about an hour, power was back in most of the area.

In February, the North-Western European Price Coupling (NWE) went live. The markets in the Nordic region, United Kingdom and Western Europe are now connected through a common price calculation system.

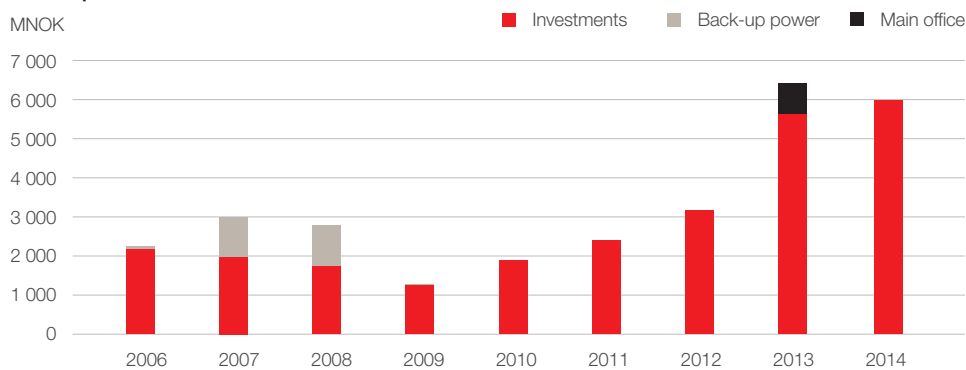
The Hasle Pilot project was launched during the period 27 October - 15 December. This is a bilateral project between Svenska Kraftnät and Statnett SF concerning the exchange of secondary reserves. Based on a socio-economic analysis, up to 50 MW of capacity on a cross-section between Norway and Sweden (Haslesnittet) was reserved for the sale of secondary reserves during this period.

Investments

Statnett is planning and implementing a number of development projects, in line with White Paper No. 14 (2011-2012), the Grid Report. In September 2014, Statnett submitted its updated investment plan to the Norwegian Water Resources and Energy Directorate (NVE). Scheduled implementation of the projects generally follows the 2013 Grid Development Plan. However, adjustments have been made to the schedule and in cost estimates for certain projects.

In total, Statnett invested NOK 5 981 million in 2014 (NOK 6 375 million in 2013), including commissioned projects, projects under construction, ICT projects and other investments.

Development investments



Figure

Investments in NorNed in 2005-2008 was NOK 2 446 million

Commissioned projects totalled NOK 6 954 million in 2014 compared with NOK 4 545 million in 2013. The largest commissioned projects were the international interconnector to Denmark Skagerrak 4, the Eastern Corridor power line project, the Ørskog - Sogndal power line sections and the final section of the cable project Ytre Oslofjord.

At year-end 2014, the value of plants under construction was NOK 5 047 million, compared with NOK 6 020 million in 2013. Statnett's total investments were on a par with the 2013 level, which reflects continuous development activities. Furthermore, completion of major projects in 2014 contributed to a net reduction of plants under construction.

The most important projects are listed in the following table.

Overview of major investment projects

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

Project	Location	Expected investments million NOK
Completed projects		
Skagerrak 4	Norway/Denmark	
Eastern Corridor, voltage upgrade and new power line	Vest-Agder/Telemark	
Ytre Oslofjord	Vestfold/Østfold	
Ørskog - Ørsta (part of Ørskog - Sogndal)	Møre og Romsdal	
Station investments (spare transformers, Frogner, Mestervik and other)		
New Regulation and Market System		
Under implementation		
Ørskog - Sogndal, new 420 kV power line	Møre og Romsdal/Sogn og Fjordane	4 600–5 600
Ofoten - Balsfjord, new 420 kV power line	Nordland/Troms	3 200–3 700
Station investments (transformer capacity Eastern Norway and other)		2 100–2 500
Voltage upgrade Central Norway, subsection Klæbu - Namsos	Trøndelag	700–800
Final licence granted		
Western Corridor, voltage upgrade ¹⁾	Vest-Agder/Rogaland	8 000–10 000
Namsos - Storheia, new 420 kV power line	Trøndelag	1 800–2 400
Storeheia - Snillfjord, new 420 kV power line	Trøndelag	1 900–2 700
Snillfjord - Trollheim, new 420 kV power line	Trøndelag/Møre og Romsdal	1 600–2 300
Station investments (Vemorktoppen, Mauranger, Kobbelv and other)		1 250–1 750
Voltage upgrade Middle Norway, subsection Nedre Røssåga - Namsos	Nordland/Trøndelag	800–1 000
Interconnectors, final licence granted		
Cable to England (NSN Link)		MEUR 750–1 000 ²⁾
Cable to Germany (NordLink)		MEUR 750–1 000 ²⁾
Planned investments, licences pending or appealed		
Balsfjord-Skaidi (-Hammerfest), new 420 kV power line	Troms/Finnmark	4 000–6 000
Lyse - Stølaheia	Rogaland	2 500–3 500
Station investments (Smestad, transformers Western Norway and others)		1 300–1 700
Indre Oslofjord, reinvestments interconnectors	Akershus/Buskerud	1 050–1 200
Voltage upgrade Central Norway, subsection Aura/Viklandet - Trollheim	Trøndelag/Møre og Romsdal	500–700
ICT projects		
Renewal of Statnett's central operations system		500–600
Elhub		400–500

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

2) Statnett's share. Exposure mainly in Euro until contracts are signed. With an exchange rate of 8,77 EUR/NOK this corresponds a span of 7-9 billion NOK per project. Agreements with partners in Germany and England will be in Euro.

The amounts in the table show the anticipated range including all project costs.

Projects under construction are shown in current rates, other projects in 2014 rates.

Important project events

Major investment projects - completed

- *Skagerrak 4*: The fourth cable interconnector between Norway and Denmark was completed and entered commercial operation on 29 December 2014, according to time and within cost. This has increased capacity between Norway and Denmark from 1 000 MW to 1 700 MW.
- *Voltage upgrade Eastern Corridor*: Kristiansand-Rød was completed and commissioned at 420 kV in December 2014. This interconnector strengthens security of supply and is an important prerequisite for increasing international power trading.
- *New cables Ytre Oslofjord*: The last three oil cables, of a total of nine, were commissioned in 2014. The project strengthens security of supply in Southern Norway and power trading with Sweden in Eastern Norway.
- *New Regulation and Market System*: Completed in November 2014 according to schedule and within the cost limit. The system will enable the implementation of improved system operation solutions.
- *Substation investments*: Projects have been completed at substations in Sortland, Aura and Frogner. In addition, back-up transformers have been established at various substations. Construction of Mestervik station was completed. These projects will improve security of supply in respective regions.

Major ongoing investment projects

- *Ørskog - Sogndal*: Parts of the project have been completed, and the 420 kV Ørskog-Ørsta interconnector entered operation in January 2015. In January 2015, the enforcement officer in Bremanger decided to grant Statnett access to the properties in Myklebustdalen valley. Statnett has resumed work in Myklebustdalen, but is still awaiting access to Sjørdalen.
- *Ofoten-Balsfjord*: Development of a new 420 kV power line was initiated in the second quarter of 2014. Work has started on four substations and on all three subsections along the power line route.
- *Voltage upgrade Western Corridor*: Insulation upgrade of the Solhom-Arendal and Feda-Tonstad power lines was decided and implemented in June 2014. Statnett has made investment decisions for five power line sections and five associated substations. Work is scheduled to start in 2015. In October 2014, Statnett received a final licence decision for the southern section (Kvinesdal-Ertsmyra). In December 2014, the Norwegian Water Resources and Energy Directorate (NVE) made a final licence decision for the sections Ertsmyra-Lyse and Ertsmyra-Fjotland. The decision is now appealed.
- *International interconnector Germany (NordLink)*: The partners Statnett, TenneT and KfW made a final investment decision in February 2015 concerning construction of an international interconnector between Norway and Germany. The international interconnector will have a capacity of 1 400 MW and will run between Tonstad in Norway and Wilster in Schleswig-Holstein in Germany.
- *Voltage upgrade Central Norway*: The project consists of the subsections Klæbu – Namsos, Namsos - Nedre Røssåga and Klæbu-Viklandet/Aura. Work on the Klæbu – Namsos section started in 2014, whereas work on the Nedre Røssåga-Namsos section was granted a licence from the Norwegian Water Resources and Energy Directorate (NVE) in 2014 with expected start-up in 2015. A licence application was submitted to the Norwegian Water Resources and Energy Directorate (NVE) for the Trollheim-Viklandet/Aura subsection in December 2014.
- *Substation investments*: The phase advancer in Feda entered operation in February 2015. Strengthening of transformer capacity for several substations in Eastern Norway is in the execution phase. Work on reactive compensation in Lofoten and Vesterålen will be continued in 2015 and a reinvestment project in Lakselv substation will be completed in 2015.
- *Cable projects in Northern Norway*: A decision has been made to start reinvestment in the cable above Tjeldsundet, and work to establish a standby cable in the region will be completed in 2015.

Other projects under development

- *International interconnector UK (NSN Link)*: The Ministry of Petroleum and Energy (MPE) has granted a foreign trade licence and plant licence. The planned international interconnector has a capacity of 1 400 MW and will be installed between Kvilldal in Suldal Municipality and Blyth in the UK.
- *Balsfjord-Skaidi (Hammerfest)*: Preparations to develop a 420 kV power line have started. A project licence is expected in 2015.
- *Reinvestment cables Indre Oslofjord*: In September 2014, Statnett made an investment decision to upgrade the subsea interconnector cables in Indre Oslofjord. The project will secure a reliable supply of electricity to central parts of Eastern Norway, and is a key prerequisite for upgrading the power grid in the Oslo region. The NVE granted a licence in April 2014. The licence has been appealed to the MPE. A start-up decision will be made once a final licence has been granted.
- *Namsos – Storheia*: Preparation work for development is under way. Assuming that start-up for a sufficient amount of wind is decided on the Namsos - Storheia and Snillfjord – Trollheim sections, a decision is scheduled to be made to start a new 420 kV power line between Namsos and Storheia.

Research and development

Research and development (R&D) in Statnett is a strategic tool to promote value creation, innovation and green solutions. In 2014, Statnett invested NOK 54 million in R&D, NOK 11 million more than in 2013.

The end of 2014 marked the conclusion of a three-year R&D programme period involving three topics related to Statnett's corporate strategy. The three programmes that have been running during the period 2012-2014 are:

- Smart Grid: Developing and testing new solutions for safe and efficient operations which will meet future challenges
- Solutions and technology for the next generation main grid: Developing and implementing a pilot facility to enable construction of a robust main grid adapted to the environment
- Priorities:
 - Environmental challenges: Impact of new infrastructure on the environment
 - Social acceptance: Ensure acceptance and understanding for Statnett's socio-economic mandate, secure a stable supply of electricity and promote value creation through interaction with the other Nordic countries and Europe

National, European and international R&D collaboration

In addition to its own R&D activities, Statnett cooperates with external expertise environments both in Norway and abroad. Statnett is committed to developing an R&D strategy through ENTSO-E. This will give the company the opportunity to participate in jointly financed research and development projects together with other transmission system operators, as well as universities in Europe with financial support from the EU. See Corporate Social Responsibility for more detailed information about Statnett's R&D work.

Financial performance

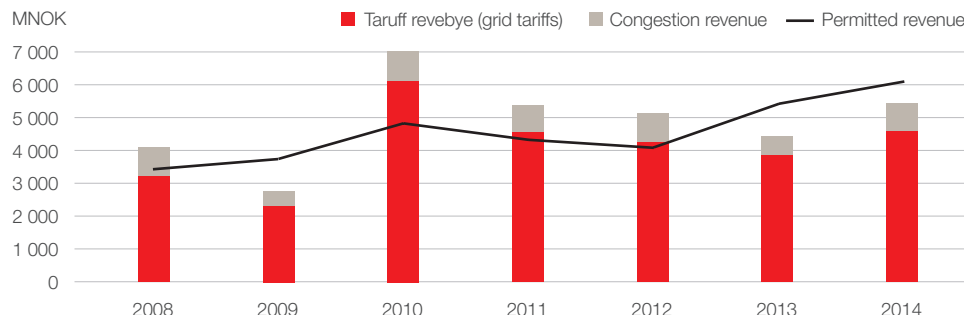
The annual financial statements for Statnett SF and the Statnett Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) and interpretations established by the International Accounting Standards Board (IASB) which have been approved by the EU. Comments to the accounting items are in relation to the Group's financial statement. Developments described for the Group also apply to the parent company.

Operating revenues

Statnett's operating revenues in 2014 totalled NOK 5 563 million (NOK 4 561 million in 2013). The increase in operating revenues was mainly due to higher fixed tariff revenues as a consequence of increased tariff rates for producers and increased tariffs for consumption customers with high use time. In addition, there are higher congestion revenues in 2014 due to increased price differentials linked to low prices in Southern Norway.

Statnett's operating revenues mainly derive from grid operations regulated by the NVE, which stipulates a cap (permitted revenue) for Statnett's revenues. Permitted revenue increased from NOK 5 361 million in 2013 to NOK 6 054 million in 2014, mainly due to increased activity and increased asset base. Operating revenues from regulated activities in Statnett's financial reporting consist primarily of fixed grid tariffs from the customers as well as congestion revenues (price differences between areas in the Nordic region and towards the Netherlands). If the total revenues from grid operations for one year diverge from the permitted revenue, so-called higher or lower revenue will occur. Higher/lower revenue will even out over time through adjustment of future grid tariffs. In 2014, Statnett had a lower revenue of NOK 665 million (NOK 958 million), excluding interest. Accumulated higher revenue including interest was NOK 1 790 million at the end of 2014.

Operating revenue



Operating costs

The Group's operating costs totalled NOK 4 185 million in 2014 (NOK 4 215 million).

System services costs amounted to NOK 609 million in 2014, up NOK 40 million compared with 2013. The increase is mainly related to higher costs associated with special adjustments. This was due to long-term disconnections, particularly in connection with construction of the Ørskog-Sogndal power line, as well as high summer temperatures which caused heavy snow melting and lower power line capacity out of the surplus areas.

For 2014, transmission loss totalled NOK 586 million, down NOK 112 million from 2013. The reduction was due to a combination of lower prices and lower loss volume.

Wage costs for 2014 totalled NOK 715 million, down NOK 64 million from 2013. The reduction was due to increased capitalisation of own hours in investment projects, partly as a result of Statnett's efficiency improvement programme, somewhat offset by increased wage costs due to an increase in staff in the enterprise.

Depreciation and impairment totalled NOK 1 150 million in 2014, up NOK 102 million compared with 2013. The increase was due to an increase in the number of facilities and increased depreciation and impairment as a result of removal obligations.

In 2014, other operating costs totalled NOK 1 125 million, on a par with 2013. Increased costs associated with service agreements, property tax, repairs and maintenance are offset by reduced costs associated with premises, property, equipment and materials, partly due to Statnett's efficiency improvement programme.

Net profit

The Group's operating profit for 2014 amounted to NOK 1 378 million (NOK 346 million). Adjusted for the year's changes in unrecognised higher revenue balance, the underlying profit totalled NOK 2 001 million (NOK 1 388 million).

Revenues from associates totalled NOK 11 million in 2014 (NOK 10 million).

The Group's net financial items amounted to a loss of NOK 258 million, on a par with 2013.

Profit for the year after tax in 2014 was NOK 829 million (NOK 82 million). The underlying profit after tax for 2014 (corrected for changes in unrecognised higher revenue) amounted to NOK 1 284 million (NOK 832 million). The higher underlying profit was primarily due to higher regulated permitted revenue due to increased activity and an increased asset base.

Cash flow and balance sheet

The Group's operating activities generated an accumulated cash flow of NOK 3 028 million at the end of 2014, compared with NOK 1 224 million in 2013. Net cash flow from investment activities totalled NOK -5 997 million compared with NOK -6 197 million in 2013. In total, loans were paid down by NOK 2 287 million, and new loans of NOK 3 048 million were raised. At year-end 2014, the Group's liquid assets and market-based securities amounted to NOK 4 364 million (NOK 1 610 million).

At the end of 2014, the Group had total assets of NOK 41 107 million (NOK 34 897 million), and interest-bearing debt amounted to NOK 24 643 million (19 909 million). Interest-bearing debt includes security under CSA (Credit Support Annex) of NOK 1 860 million (NOK 173 million). The market value of recognised interest swap and currency swap agreements (fair value hedges) related to interest-bearing debt was NOK 3 185 million. Interest-bearing debt, corrected for this, totalled NOK 21 458 million.

In the first quarter of 2014, Statnett received an equity injection of NOK 3 250 million. At year-end, the Group's equity capital totalled NOK 12 629 million (NOK 12 135 million including decided new equity). Statnett SF's distributable equity was NOK 6 240 million at year-end (NOK 5 839 million). Corrected for net higher/lower revenue, the equity ratio was 28 percent.

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

Subsidiaries and associated companies

Statnett SF is required to provide heavy transport preparedness for the Norwegian power supply. Statnett's wholly owned subsidiary Statnett Transport AS is required to ensure efficient and competitive implementation of this duty. In 2014, operating revenues for Statnett Transport amounted to NOK 151 million (NOK 147 million) and the profit before tax was NOK 24 million (NOK 19,6 million).

Statnett SF has an ownership interest of 28.2 percent in Nord Pool Spot AS. Statnett's share of the profit in Nord Pool AS contributed NOK 13 million (NOK 10 million) to the Statnett Group's profit in 2014.

On 3 February 2014, Statnett SF purchased 50 percent of the shares in Lyse Sentralnett AS. Following the acquisition, Statnett SF has achieved control of Lyse Sentralnett AS, which has been consolidated in the Statnett group accounts. Operating revenues for Lyse Sentralnett AS during the 2014 ownership period amounted to NOK 37 million and profit before tax was NOK 9 million.

In the autumn of 2013, the Nordic transmission system operators Fingrid, Svenska Kraftnät and Statnett established the company eSett OY. Statnett has an ownership interest of 33.3 percent in the company. The company will provide balance settlement services for market players in Finland, Sweden and Norway from first half 2016. In 2014, the company recorded a loss of NOK 6 million. Statnett's share constituted a loss of NOK 2 million.

Risk

Statnett practises unified risk management which reflects that the enterprise is responsible for critical infrastructure in a vulnerable society, and that the enterprise is in a phase with a significant project volume as well as increase in facilities. A secure supply of electric power forms the basis for a stable supply of electricity to the end-users, value creation and realisation of climate-friendly solutions. Statnett's risk management covers the enterprise's entire perspective, including strategic, commercial, operational and financial aspects. Within HSE the company has a zero objective for serious incidents and the risk of disruption in the supply of electric power is subject to strict criteria.

Please see the separate section of the annual report for more detailed information about the framework for Statnett's risk management and specific risks. This section includes information about Statnett's financial risk management and how the Group uses financial instruments in its risk management.

Employees and organisation

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

Employees

Statnett has an ambitious mission and must ensure that the right expertise is in place for the right jobs. At year-end, Statnett SF had 1 121 employees, compared with 1 079 the year before. The increase in staff is mainly owing to an increasing number of tasks in connection with planning and implementation of investment projects, preparedness and main grid acquisitions from regional grid companies (Lyse).

Statnett has low turnover, but many employees will reach retirement age in the next few years. Consequently, Statnett makes a targeted effort to be an attractive employer in order to attract new employees, as well as to retain and develop the expertise of current employees. This includes both a trainee programme and an apprentice programme in electrical power engineering and ICT. Statnett has a career development model and also introduced a manager development programme in 2014 to further develop management at all levels. Furthermore, Statnett has a senior policy to retain valuable employees and their expertise until retirement age. The average retirement age in Statnett was above 68 in 2014.

Statnett conducts annual employee surveys. For Statnett, the survey has benchmarking opportunities with other players in the energy industry, and employees have an opportunity to express what they think about Statnett as an employer and workplace. As in previous years, the overall results for 2014

were good and above average for the industry. Some results were significantly better than for other participating companies in Norway.

Gender equality and diversity

Statnett has a zero tolerance policy regarding discrimination and harassment. The enterprise follows this up with local safety delegates, appraisal interviews and opinion polls. It is important to Statnett to ensure a diverse organisation in terms of gender, ethnicity and age. In 2014, 8.3 percent of employees recruited in 2014 came from non-Norwegian backgrounds, compared with 9.1 percent in 2013. The total percentage of women has increased from 25.0 percent in 2013, to 25.4 percent in 2014. The percentage of female employees in the energy sector in general is approximately 20 percent. At the end of 2014, four of the nine members of Statnett's Board of Directors and two of the seven members of the Group management were women. Women filled 28.1 percent of all managerial positions in the Group and five of Statnett's ten trainees in 2014 were female. Statnett will continue efforts to increase the number of women in technical and managerial positions. Employment conditions for women and men are monitored using a variety of methods, including wage reviews and staff surveys. Women and men with approximately the same educational background and experience, and employed in comparable positions receive equal pay. See also Notes 6 and 19 for more information about wage costs and remuneration to the Group management.

Health, safety and the working environment

Statnett's objective is to prevent accidents and injuries as well as unnecessary environmental impact. The enterprise has improved its safety results and works systematically towards its objective to become the HSE leader among transmission system operators in Europe by the end of 2017. The objective has been specified to a lost time injury rate (OIFR1 value) of two or lower. To achieve this objective, initiatives have been implemented relating to safety culture, risk assessments, expertise and supplier requirements. Statnett sets the same requirements for suppliers as for its own employees.

Statnett reports incidents and deviations occurring in its own organisation, as well as in contractor/supplier organisations. Reporting of incidents and nonconformities increased in 2014. This is a result of increased project activities combined with improved reporting routines in recent years. Statnett focuses on risk factors and how to mitigate them, both during project planning and physical work operations.

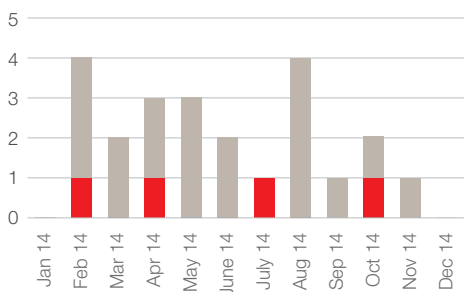
Lost-time injuries and hours worked are reported also for contractors in development projects. This is done by estimating the total OIFR1 value (injury frequency rate, number of lost-time injuries per million hours worked) and LTIFR value (lost-time injuries, number of days away from work due to injuries per million hours worked) for the enterprise's activities.

Four internal lost-time injuries were reported in 2014, whereas our suppliers/contractors reported 15 lost-time injuries. In 2014, the OIFR1 value for Statnett's own employees was 1.9, compared with 2.5 in 2013. Including suppliers/contractors, the OIFR1 value was 4.4, down from 9.8 at the end of 2013. The LTIFR value for Statnett's own employees was 155 in 2014 compared with 62.2 in 2013. Including suppliers/contractors the LTIFR value was 126 in 2014 compared with 214 in 2013.

In 2014, the overall absence due to illness was 3.1 percent, the same as in 2013. Even though absence due to illness is lower than in the energy industry in general, Statnett is focusing on analysing the reasons for the absence due to illness and on identifying measures that can reduce absence due to illness further. This involves adaptation of individual workplaces and various health-promoting and illness-reducing measures, including use of safety inspections and physical therapy treatment.

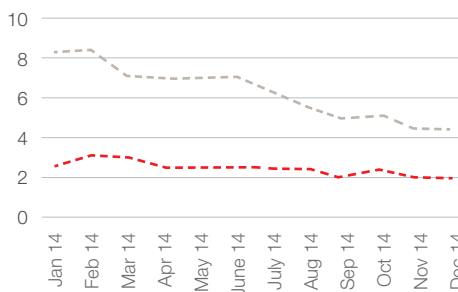
Lost-time injuries

- Lost-time injuries, contractors
- Lost-time injuries, own employees



Occupational Illness Frequency Rate (OIFR)

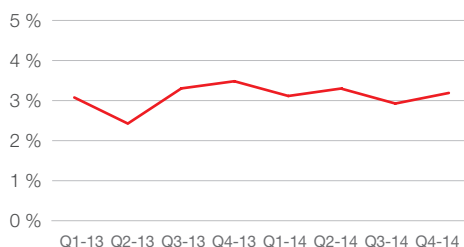
- OIFR including contractors, 12 months rolling average
- OIFR own employees, 12 months rolling average



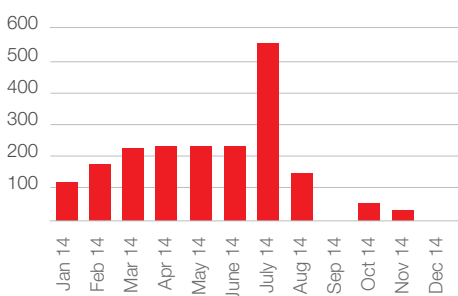
Figure

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

Absence due to illness



Lost time injury frequency rates (LTIFR)



Figure

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

Corporate social responsibility

Corporate social responsibility (CSR) in Statnett entails integration of social and environmental considerations in the company's social mandate in a way that extends beyond the minimum requirements stipulated in laws and regulations. The work on corporate social responsibility is naturally linked to the development of the next generation power system and the enterprise's social mandate, which states that Statnett shall maintain security of supply through a grid with satisfactory quality and capacity, and conduct its activities to promote value creation in society and realisation of Norway's climate goals. Statnett shall use the activities, expertise and resource base in the company to perform its social mission in such a way that it has positive ripple effects for society.

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

Climate and the environment

Statnett has an environmental management system certified according to ISO 14001:2004 and all Statnett's office buildings have been certified as Eco-Lighthouses. Statnett is working to continuously improve the company's environmental performance and focuses on minimising the environmental impact of the company's operations as much as possible.

Any environmental incidents that do occur are recorded and followed up in the Statnett deviation system. In 2014, 316 incidents occurred, compared with 178 incidents in 2013. There were no serious incidents, but 24 incidents resulting in major environmental damage were reported. Statnett has a strong focus on preventative environmental work, from the early planning phase, throughout the construction phase and during the operations phase. As a result, there are generally few incidents with a major risk potential in the enterprise.

The most important contribution from Statnett to reduce emission of greenhouse gases is to develop the next generation main grid. Statnett is also working on reducing its energy consumption and greenhouse gas emissions from daily operations. In 2014, the largest sources of greenhouse gas emissions were leaks from the SF6 facilities, energy consumption in buildings, and emissions and discharges related to construction activities. Greenhouse gas emissions totalled 13 630 tonnes in 2014, compared with 16 278 tonnes in 2013. The reduction is mainly due to lower SF6 power emissions, and somewhat lower electricity consumption for own heating.

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

Corporate governance

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

Statnett's corporate management principles clarify the distribution of roles between the owner, the Board of Directors and the general management. Statnett adheres to the Norwegian State's Principles for Good Corporate Governance and follows the recommendations laid down by the Norwegian Corporate Governance Board (NUES) to the extent permitted by the enterprise's organisation. A separate description of corporate management in the annual report gives an account of Statnett's compliance with the NUES principles.

Changes in the Board of Directors

Trine Pande-Rolfen was elected employee representative on Statnett's Board of Directors in June 2014. She replaced Kjerstin Bakke.

Changes in the Group management

In connection with a reorganisation decided in the autumn of 2013, two new executive vice presidents were appointed as of January 2014; Elisabeth Vike Vardheim and Bente Monica Haaland.

Outlook

In the years leading up to 2020, significant growth is expected in the investment scope across the entire industry. Statnett has significantly upgraded capacity in recent years, and this will continue. The need for a speedy capacity upgrade, combined with a large investment portfolio for the entire industry, also puts increasing pressure on unit costs. This situation has intensified since the last grid development plan, and is likely to continue to do so over the next few years. Statnett therefore facilitates more stable and long-term assignments. During the period leading up to the coming grid development plan, Statnett will assess possible changes to the project portfolio together with the industry. At the same time Statnett's business are exposed to the uncertainty in potential changes in demand and consumption patterns of energy, possible climate impacts affecting Statnett's plants and activities, and technological development.

Statnett has been granted a licence for international interconnectors to Germany and the UK, and has along with its partners TenneT and KfW made a investment decision for an interconnector to Germany. Both projects have high priority and are important for the development and integration of the Northern European power system. The projects will help ensure strengthened security of supply in Norway, Germany and the UK, and balance variations in German and British renewable power production throughout the day. Power exchange capacity generates value creation in Norway. Moreover, the projects will support the ambitions to increase generation of renewable energy throughout the region and contribute to achieving the EU's climate and energy targets.

The Ministry of Petroleum and Energy has submitted proposed amendments to the Energy Act for consultation as a result of the EU's third electricity legislative package. The proposal entails substantial growth in the tasks assigned to Statnett if Statnett assumes ownership of the remaining 15 percent of the main grid. This will lead to an increased need for investments and staff in Statnett, but will also allow for an overall more efficient organisation of main grid operations and development in the long term. A natural consequence of this is that Statnett will sell its regional grid facilities. This places great demands on Statnett when it comes to coordinating a number of projects in existing facilities while operating the power system.

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

Statnett is involved in cooperation both at a European and Nordic level. This work is important, as key framework conditions stipulated by the EU also are relevant for Norway through the EEA Agreement. The establishment of a common European power market makes it necessary to harmonise the framework for the electricity market, as well as for system and grid operations. As the Norwegian and the Nordic power system differs from the European system, it is important that the framework conditions are formulated to safeguard Norwegian and Nordic security of supply and ensure value creation from Norwegian hydropower.

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

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

In accordance with Section 3-3a of the Norwegian Accounting Act, the Board confirms that conditions exist for continued operation of the enterprise on a going concern basis and that the annual accounts have been prepared under this assumption.

Allocation of profit

Based on the increased need for investments and borrowings, a proposal was put forward in Proposition to the Storting No. 1 (2013-2014), the Norwegian National Budget, to contribute NOK 3 250 million to Statnett's equity. Statnett received the contribution in January 2014. Dividend for the fiscal years 2014 - 2016 was set at 25 percent of the dividend basis. Dividend for the 2013 fiscal year was set at zero. The basis for the dividend is defined as the Group's net profit after tax, adjusted for changes in the balance for higher/lower revenue for the year after tax.

On the basis of the above, the Board therefore recommends that the annual profit from Statnett SF be allocated as follows:

(Amounts in NOK million)


Dividend	321
To other equity	80
Total allocated	401

Declaration from the Board of Directors and President and CEO

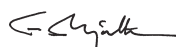
We confirm that the financial statements for the period 1 January to 31 December 2014 have, to the best of our knowledge, been prepared in compliance with IFRS and that the disclosures in the financial statements give a true and fair picture of the enterprise's and the Group's assets, liabilities, financial position and results as a whole, and that the disclosures in the annual report give a true and fair overview of the development, results and position of the enterprise and the Group, together with a description of the most significant risk and uncertainty factors faced by the enterprise.

Oslo, 26 March 2015

The Board of Directors, Statnett SF



Kolbjørn Almlid
Chairman of the Board



Per Hjorth
Deputy Chairman



Maria Sandsmark
Board member



Egil Gjesteland
Board member



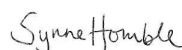
Kirsten Indgjerd Værdal
Board member



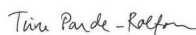
Pål Erland Opgård
Board member



Steinar Joråndstad
Board member



Synne Larsen Homble
Board member



Trine Pande-Rolfen
Board member



Auke Lont
President and CEO

The Board of Directors



Kolbjørn Almlid

Chairman of the Board

Elected in 2011

Kolbjørn Almlid is a qualified teacher. He ended his career in education as chief municipal education officer of Verran Municipality in 1991. During the period 1996-2005, he was a senior adviser in Innovation Norway and later Division Director and Chief Executive Officer. Almlid was appointed state secretary of the Ministry of Petroleum and Energy during the Syse government (1989-1990). He was a deputy member of Parliament for Nord-Trøndelag County during the period 1989-1993 and chairman of Nord-Trøndelag County Council from 1991 to 1995. He has also been the leader of the Norwegian Centre party in Nord-Trøndelag and a member of the party's central board. Furthermore, he was a member of the municipal council and county council for 12 and 14 years, respectively.

In recent years, Almlid has also served on a number of boards such as Nord-Trøndelag Elektrisitetsverk, ENFO and Mid-Gas. He was elected Chairman of the Board in Statnett in June 2011.

Per Hjorth

Deputy Chairman

Elected in 2008, Deputy Chairman from 2012

Hjorth is the Managing Director of Newsec AS, a commercial real estate brokerage and consultancy firm. Hjorth also serves on a number of boards. He has held a number of senior executive posts in industry, finance and the energy sector. He was President and CEO of Nord Pool ASA until 2000. Hjorth holds a degree in Economics and Business Administration from BI Norwegian Business School and has been a member of Statnett's Board of Directors since 2008. He was elected Deputy Chairman of the Board in Statnett in 2012.

Maria Sandsmark

Board member

Elected in 2013

Maria Sandsmark holds a doctorate in social and political sciences from the University of Bergen (2000). She has worked as a professional artist since 2014. Previous work experience includes 12 years for Møreforsking Molde and Econ Analyse as a researcher on socio-economic analyses and R&D projects related to deregulated power markets. Sandsmark has been a member of an expert committee appointed by the Norwegian government to review the framework for socio-economic analyses. She has also served as secretary on two government committees on socio-economic analyses.

Egil Gjesteland

Board member

Elected in 2012

Egil Gjesteland is currently Project Director for the Gassco Emden project. In addition, he runs his own oil and gas consulting company, Gjesteland Consulting AS. He holds an MSc in Chemical Engineering from the Norwegian Institute of Technology (NTH) and has worked for Statoil in Abu Dhabi. He has also been IT and Project Manager for a number of Statoil's oil and gas projects and was Project Director for the Snøhvit development on the Tromsø Patch for four years. Gjesteland has also been a lecturer at the BI MBA programme and UC Berkeley.

Synne Homble

Board member

Elected in 2013

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

Kirsten Indgjerd Værdal

Board member

Elected in 2009

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

Steinar Jøråndstad

Board member, employee representative

Elected in 2004

Steinar Jøråndstad is an Energy Technician with Statnett and is the leader of the Norwegian Electrician and IT Workers' Union (EL&IT) and a member of the Working Environment Committee. Jøråndstad, who began his career as an apprentice in 1981, has also served as main safety delegate in Statnett. Jøråndstad is also a Municipal Councillor in Vågå and a member of Vågå Municipal Executive Board.

Pål Erland Opgård

Board member, employee representative

Elected in 2010

Pål Erland Opgård was employed by Statnett in 1995. Since then he has been employed in the Regional Central North in Alta. Opgård holds a degree in engineering from Narvik University College. In 2010, Opgård was elected leader of the Norwegian Society of Engineers and Technologists (NITO) in Statnett, where he has been a board member since 1999.

Trine Pande-Rolfsen

Board member, employee representative

Elected in 2014

Trine Pande-Rolfsen heads Statnett's Operating Group South. She has been employed by Statnett since 2006 and has had various positions and areas of responsibility in Statnett, both within operations and development. Before joining Statnett, she was employed by Mantena AS for a few years, which is a company in the NSB (Norwegian State Railways) group. She is a chartered engineer from the Norwegian University of Science and Technology and graduated in 2003.

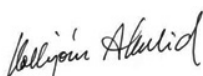
Statement of comprehensive income

Parent company		(Amounts in NOK million)	Note	Group	
2013	2014			2014	2013
		Operating revenue			
4 403	5 355	Operating revenue regulated operations	4	5 389	4 403
167	270	Other operating revenue	4	174	158
4 570	5 625	Total operating revenues		5 563	4 561
		Operating costs			
569	609	System services	5	609	569
698	586	Transmission losses	5	586	698
771	710	Salaries and personnel costs	6, 7, 19	715	779
1 017	1 122	Depreciation and write-downs of tangible fixed assets	8	1 150	1 048
1 196	1 217	Other operating costs	23	1 125	1 121
4 251	4 244	Total operating costs		4 185	4 215
319	1 381	Operating profit		1 378	346
-	-	Income from associate	16, 17	11	10
109	193	Financial income	10	202	126
414	477	Financial costs	10	471	393
14	1 097	Profit before tax		1 120	89
2	287	Tax	15	291	7
12	810	Profit for the year		829	82
		Other comprehensive income			
1	3	Changes in fair value, held-for-sale investments		2	1
33	-158	Changes in fair value for cash flow hedges	13	-158	33
-10	43	Tax effect	15	43	-10
24	-112	Other comprehensive income to be reclassified to profit or loss in subsequent periods		-113	24
60	-407	Changes in estimate deviations of pension liabilities	7	-407	60
-16	110	Tax effect	7, 15	110	-16
44	-297	Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-297	44
68	-409	Total other comprehensive income		-410	68
80	401	Total comprehensive income		419	150

Balance sheet

Parent company				Group	
31.12.2013	31.12.2014	(Amounts in NOK million)	Note	31.12.2014	31.12.2013
		ASSETS			
		Fixed assets			
-	-	Goodwill		53	53
157	218	Other intangible fixed assets	8	227	170
21 176	27 130	Tangible fixed assets	8	27 515	21 472
6 020	4 975	Plants under construction	9	5 047	6 020
788	416	Investment in subsidiaries	16	-	-
53	55	Investment in associates	16	89	81
1 301	3 475	Financial fixed assets	11, 12, 13, 14	3 340	1 161
29 495	36 269	Total fixed assets		36 271	28 957
		Current assets			
1 109	597	Trade accounts and other short-term receivables	11, 12, 13, 14	472	1 080
3 250	-	Claim upon decided, non-registered contributed capital		-	3 250
311	996	Market-based securities	11, 12, 13, 14	1 345	640
873	2 858	Liquid assets	11	3 019	970
5 543	4 451	Total current assets		4 836	5 940
35 038	40 720	Total assets		41 107	34 897
		EQUITY AND LIABILITIES			
		Equity			
2 700	5 950	Contributed capital		5 950	2 700
3 250	-	Decided, non-registered contributed capital		-	3 250
5 839	6 240	Other equity accrued		6 601	6 185
-	-	Non-controlling interest		78	-
11 789	12 190	Total equity		12 629	12 135
		Long-term liabilities			
420	563	Deferred tax	15	682	557
485	866	Pension liabilities	7	869	486
255	485	Other liabilities		485	255
17 441	22 134	Long-term interest-bearing debt	11, 12, 13, 14	22 138	17 441
18 601	24 048	Total long-term liabilities		24 174	18 739
		Current liabilities			
3 160	2 728	Short-term interest-bearing debt	11, 12, 13, 14	2 505	2 468
1 488	1 738	Trade accounts payable and other short-term debt	11, 12, 13, 14	1 763	1 555
-	16	Tax payable	15	36	-
4 648	4 482	Total current liabilities		4 304	4 023
35 038	40 720	Total equity and liabilities		41 107	34 897

Oslo, 26 March 2015, The Board of Directors, Statnett SF


Kolbjørn Almlid
Chairman of the Board


Per Hjorth
Deputy Chairman


Maria Sandsmark
Board member


Egil Gjesteland
Board member


Synne Larsen Homble
Board member


Kirsten Indgjerd Værdal
Board member


Pål Erland Opgård
Board member


Steinar Jøråndstad
Board member


Trine Pande-Rølfson
Board member


Auke Lont
President and CEO

Statement of changes in equity

Parent company						Group						
Contributed capital	Decided, non-registered contributed capital	Other items	Other equity accrued	Total equity	(Amounts in NOK million)	Total equity	Non-controlling interest	Total equity allocated to owner of Statnett SF	Other equity accrued	Other items	Decided, non-registered contributed capital	Contributed capital
2 700	-	-82	5 958	8 576	01.01.2013	8 852	-	8 852	6 233	-81	-	2 700
-	-	-	12	12	Profit/loss for the year	82	-	82	82	-	-	-
-	-	68	-	68	Other comprehensive income	68	-	68	-	68	-	-
-	-	-	-117	-117	Dividends declared	-117	-	-117	-117	-	-	-
-	3 250	-	-	3 250	Decided, non-registered contributed capital	3 250	-	3 250	-	-	3 250	-
2 700	3 250	-14	5 853	11 789	31.12.2013	12 135	-	12 135	6 198	-13	3 250	2 700
2 700	3 250	-14	5 853	11 789	01.01.2014	12 135	-	12 135	6 198	-13	3 250	2 700
-	-	-	810	810	Profit/loss for the year	829	3	826	826	-	-	-
-	-	-409	-	-409	Other comprehensive income	-410	-	-410	-	-410	-	-
3 250	-3 250	-	-	-	Paid contributed capital	-	-	-	-	-	-3 250	3 250
-	-	-	-	-	Decided, non-registered contributed capital	75	75	-	-	-	-	-
5 950	-	-423	6 663	12 190	31.12.2014	12 629	78	12 551	7 024	-423	-	5 950

Cash flow statement

Parent company		(Amounts in NOK million)	Note	Group	
2013	2014			2014	2013
		Cash flow from operating activities			
14	1 098	Profit before tax		1 120	89
-3	-57	Loss/gain(-) on sale of fixed assets	8	-59	-3
1 017	1 122	Depreciation and write-downs	8	1 150	1 048
-210	-	Paid taxes	15	-	-210
276	291	Interest recognised in the income statement	10	270	268
38	46	Interest received	10	55	45
-257	-302	Interest paid, excl. construction interest	10	-301	-257
175	229	Changes in trade accounts receivable/payable	11	273	144
78	524	Changes in other accruals	11	531	110
-	-	Result from companies using equity method	16	-11	-10
1 128	2 951	Net cash flow from operating activities		3 028	1 224
		Cash flow from investing activities			
13	56	Proceeds from sale of tangible fixed assets	8	58	14
-5 515	-5 770	Purchase of tangible fixed assets, other intangible fixed assets and plants under construction	8, 9	-5 809	-5 546
-158	-196	Construction interest paid	9	-196	-158
-491	-73	Purchase of subsidiary, net of cash acquired	16	-40	-491
28	-2	Changes in investment in subsidiaries, associates and joint ventures	16	-	-20
-	-14	Changes in long term loan receivables	11,12	-14	-
15	-	Changes in short term loan receivables	11,12	-	-
4	16	Dividend received	10, 16	4	4
-6 104	-5 983	Net cash flow from investing activities		-5 997	-6 197
		Cash flow from financing activities			
8 195	3 048	Proceeds from new interest-bearing debt	11,12	3 048	8 195
-2 882	-2 287	Repayment of interest-bearing debt	11,12	-2 287	-2 883
80	1 687	Changes in collateral under CSA (Credit Support Annex) agreements	11,12	1 687	80
129	241	Proceeds from sale of market-based securities	11,12	476	310
-117	-922	Purchase of market-based securities	11,12	-1 156	-276
-117	-	Dividend paid and group contributions		-	-117
-	3 250	Proceeds from new equity		3 250	-
5 288	5 017	Net cash-flow from financing activities		5 018	5 309
312	1 985	Net cash flow for the period		2 049	336
561	873	Cash and cash equivalents at the start of the period	11	970	634
873	2 858	Cash and cash equivalents at the close of the period	11	3 019	970

Restricted bank deposit amounting to NOK 79 million is included in cash and cash equivalents as at 31 December, 2014.

Unused credit facilities of NOK 6 500 million are not included in cash and cash equivalents.

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Notes

NOTE 1 ACCOUNTING PRINCIPLES

Statnett SF (the parent company) is a Norwegian state-owned enterprise that was formed on 20 December 1991. The sole owner of Statnett SF is the Norwegian State, represented by the Ministry of Petroleum and Energy (MPE). Statnett has issued bond loans listed on the Oslo Stock Exchange. The head office is located at Nydalen allé 33, 0423 Oslo.

Basis for preparation of the financial statements

The consolidated financial statements for the Statnett Group and the financial statements for the parent company, Statnett SF, have been prepared in compliance with the current International Financial Reporting Standards (IFRS), as adopted by the EU.

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

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

- All derivatives, and all financial assets and liabilities classified as "fair value carried through profit or loss" or "available for sale", are carried at fair value.
- The book value of hedged assets and liabilities is adjusted in order to register changes in fair value as a result of the hedging.
- Assets are measured at each reporting date with a view to impairment. If the recoverable amount of the asset is less than the book value, the asset is written down to the recoverable amount.

Consolidation policies

Consolidated companies

The consolidated financial statements comprise Statnett SF and subsidiaries in which Statnett SF alone has a controlling influence. Normally, Statnett SF is assumed to have controlling influence when direct or indirect ownership interests make up more than 50 percent of the voting shares. If Statnett owns less than 100 percent of the voting shares, or, through agreement, has less than 100 percent of the votes, further assessments will be made to determine whether the Group actually has controlling influence.

The consolidated financial statements have been prepared using uniform accounting principles for equivalent transactions and other events under otherwise equal circumstances. The classification of items in the income statement and balance sheet has taken place in accordance with uniform definitions. The consolidated financial statements are prepared in accordance with the acquisition method of accounting and show the Group as if it was a single entity. Balances and internal transactions between companies within the Group are eliminated in the consolidated financial statements.

The cost price of shares in subsidiaries is offset against equity at the time of acquisition. Any excess value beyond the underlying equity of the subsidiaries is allocated to the asset and liability items to which the excess value can be attributed. The portion of the cost price that cannot be attributed to specific assets represents goodwill.

Statnett SF's Pension Fund is not part of the Statnett Group. Contributed equity in the pension fund is measured at fair value and classified as financial fixed assets.

Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control, and where the parties contractually agree to share control of the arrangements. Joint control is the agreed sharing of control of a joint arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint operation

A "joint operation" is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Group recognises its share of assets, liabilities, revenues and operating expenses relating to its involvement in a joint operation.

Joint venture

A joint venture is defined as a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets. Result, assets and liabilities of joint ventures are recorded in the financial statements in accordance with the equity method. This means that the Group's share of the result for the year after tax and amortisation of any excess value is reported on a separate line in the income statement between operating profit/loss and financial items. The accounts of joint ventures are restated in accordance with IFRS. Ownership interests in joint ventures are presented as fixed asset investments at original cost plus accumulated profit shares and less dividends in the consolidated balance sheet.

The Group had no investments in joint ventures at the end of 2014

Investment in associated companies

Associates are companies where Statnett has significant influence, i.e. Statnett can influence financial and operational decisions in the company, but does not have control of the company, alone or together with others. Normally these will be companies where the Group owns between 20 and 50 percent of the voting shares.

Associates are evaluated according to the equity method. This means that the Group's share of the result for the year after tax and amortisation of any excess value is reported on a separate line in the income statement between operating profit/loss and financial items. The accounts of associates are restated in accordance with IFRS. Ownership interests in associates are carried as financial fixed assets at original cost plus accumulated profit shares and less dividends in the consolidated balance sheet.

On each reporting date, the Group considers whether there are any objective indications of impairment in value. If there are any such indications, the investment will be tested for impairment. Write-downs are made if the recoverable amount (highest of the fair value less sales costs and value in use) is lower than the recognised value.

Purchase/sale of subsidiaries and associates

In the case of acquisition or sale of subsidiaries and associates, they are included in the consolidated financial statements for the part of the year they have been a part of or associated with the Group.

Investments in other companies

Investments in companies in which the Group owns less than 20 percent of the voting capital are classified as “available for sale” and are carried at fair value in the balance sheet if they can be reliably measured. Value changes are recognised under other comprehensive income in the statement of comprehensive income.

Investments in subsidiaries and associates in Statnett SF (parent company accounts)

Investments in subsidiaries and associates are accounted for in accordance with the cost method in the parent company accounts. The group contribution paid (net after tax) is added to the cost price of investments in subsidiaries. Group contributions and dividends received are recorded in the income statement as financial income as long as the dividends and Group contributions are within the earnings accrued during the period of ownership. Dividends in excess of earnings during the ownership period are accounted for as a reduction in the share investment. Group contributions and dividends are recorded in the year they are adopted.

Business combinations

Business combinations are recognised according to the acquisition method. Acquisition costs are the total of the fair value on the acquisition date of assets acquired, liabilities incurred or taken over as compensation for control of the acquired enterprise, as well as costs which can be directly attributed to business combinations.

The acquired enterprise's identifiable assets, liabilities and contingent liabilities which satisfy the conditions for accounting according to IFRS 3, are recognised at fair value on the acquisition date. Goodwill arising as a result of acquisitions is recognised as an asset measured as the excess of the total consideration transferred and the value of the minority interests in the acquired company beyond the net value of acquired identifiable assets and assumed liabilities. If the Group's share of the net fair value of the acquired enterprise's identifiable assets, liabilities and contingent liabilities exceeds the total consideration after re-assessment, the surplus amount is immediately recognised in the income statement.

Segment reporting

The company has identified its reporting segment based on the risk and rate of return that affect the operations. Based on IFRS' definition, there is, according to the company's assessment, only one segment. The business is followed up as a single geographical segment. Subsidiaries do not qualify as separate business segments subject to reporting based on IFRS criteria. The parent company and the Group are reported as a single business segment.

Statement of cash flows

The cash flow statement has been prepared based on the indirect method. Cash includes cash in hand and bank deposits. Cash equivalents are short-term liquid investments that can be converted immediately to a known amount of cash, and with a maximum term of three months.

Principles for revenue recognition

Operating revenues are measured at fair value and recognised when they are accrued on a net basis after government taxes. Operating revenues are reported on a gross basis. In cases where Statnett acts primarily as a settlement function in connection with common grids and power trading, this is reported net.

Interest income is recognised over time as it is accrued. Dividends from investments are recorded as income when the dividends are adopted.

Permitted revenue

General

Statnett is the operator of the main national grid and two common regional grids. As the operator, Statnett is responsible for setting the annual tariffs for each common grid. The main national grid is a common grid. In a fiscal year, the actual revenues will deviate from the regulated revenues.

Permitted revenue – monopoly-regulated operations

Statnett owns transmission facilities and is a transmission system operator. These are monopoly-regulated operations. This means that the Norwegian Water Resources and Energy Directorate (NVE) sets an annual limit – a revenue cap – for the grid owner's maximum revenues. The basis for Statnett's permitted revenue is the revenue cap. The revenue cap is based on expenditure, including capital expenditure, for a retrospective period of two years. System operation costs are also included. Statnett's revenue cap is regulated to ensure that the enterprise has incentives for efficient operation. In addition to the revenue cap, Statnett's permitted revenue consists of the following: Actual property tax, transit costs and a supplement for investments. The supplement for investments shall ensure that the year's investments are reflected in the permitted revenue for the year the investment is put into operation. Furthermore, Statnett's permitted revenue is adjusted for interruptions through KILE (quality-adjusted revenue cap for energy not supplied).

There can be uncertainty attached to measuring the individual amounts included in the permitted revenue.

Increased revenue as a result of conditions that require an application for adjustment of the revenue caps or interpretation of the regulations on the part of the Norwegian Water Resources and Energy Directorate (NVE), are only included in the accounts if it is considered virtually certain that the revenue will be realised.

Revenue cap transmission losses

Revenues

Transmission losses in the regional and main grid are part of Statnett's revenue cap. The reported revenue cap for transmission losses during the fiscal year consists of the actual measured loss in MWh for a retrospective period of two years valued at a regulated reference price based on the electricity spot market price in the fiscal year.

Discrepancies between the revenue cap for transmission losses and actual costs of purchases of transmission losses in the fiscal year are, in accordance with the guidelines, apportioned among the grid owners in each common grid where Statnett is the operator.

Transmission losses

Transmission losses occur as a result of measured discrepancies between the input and outtake of power in the grid. The size of the loss will vary with the temperature, the load in the grid and the electricity price. Actual loss in the fiscal year is purchased externally at spot market price. Losses arising during transmission of power in the main national grid and the common regional grids are covered by the grid's operator and are reported under "transmission losses".

Tariff-setting and higher/lower revenue for the year

Tariff revenues

As the operator of the main national grid and two common regional grids, Statnett is responsible for invoicing the users for the services they receive. The invoicing takes place on the basis of a tariff model, in accordance with guidelines provided by the NVE. The price system consists of fixed elements and variable elements; energy elements. Fixed elements are invoiced evenly throughout the year, while the energy element is invoiced concurrently with the customers' measured input or outtake of power from the grid.

Higher/lower revenue

The tariff for the year is set with a view to ensuring that the higher/lower revenue is offset over time. Tariffs are set in September preceding the fiscal year. Statnett has established a strategy for adjustment of the tariff basis including offsetting of the accumulated higher/lower revenue. Some quantities and parameters, including the price of energy, included in the calculation basis for the year's permitted revenue, are based on estimates. Discrepancies will occur between tariff revenues and the permitted revenue. This is indicated in Note 4.

Higher/lower revenue interest calculations

Interest is calculated on accumulated higher/lower revenue in accordance with the rules stipulated by the NVE, based on NIBOR 3 months plus 0.3 percent. The amount of interest is included in the balance for higher/lower revenue and is expressed in the financial reporting through regulation of future tariffs. This is indicated in Note 4

Power purchases and sales

Statnett is the Transmission System Operator (TSO) and is responsible for the regulating power market system and balance settlement system. Responsibility for the balance settlement system means that Statnett subsequently compares the measured and agreed energy volumes, calculates any discrepancies, and carries out the financial settlement between the market participants. The settlement is based on the prices in the regulating power market. The purchase and sale of regulating power must be balanced. Statnett receives a fee covering Statnett's costs as responsible for the balance settlement. If the settlement is across national borders in the Nordic region, a marginal price difference will arise based on the average of the Norwegian and foreign regulating power price, which is passed on to or charged to Statnett as the TSO.

Statnett has a separate licence as responsible for the balance settlement. This activity is recorded in the financial statement through fee revenues and costs relating to the execution of the balance settlement responsibility. Power purchases and sales are recognised net and are therefore not expressed in the statement of comprehensive income.

Power sales/purchases are recorded in the income statement when they are accrued/incurred, i.e. at the time of delivery.

Customer projects

Project revenue is recognised on a current basis based on the measurement of the estimated fair value. This means that revenue is recognised as the work is performed based on the degree of completion. The degree of completion is determined on the basis of the accrued costs of the executed work and estimated total project expenditure. Revenue is included in other operating revenues. Invoiced and accrued project revenues are included in trade accounts receivable.

Where projects are expected to make a loss, the entire expected loss is recognised as an expense.

Taxes

Tax costs in the income statement encompass both the tax payable for the period and changes in the deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Net deferred tax assets/liabilities are calculated on the basis of temporary differences between the accounting and tax values, and the tax loss carried forward.

Tax-increasing or tax-reducing temporary differences that are reversed or may be reversed are offset. Deferred tax assets are recorded when it is probable that the company will have a sufficient taxable profit to benefit from the tax asset. Deferred tax liabilities/assets that can be recorded in the balance sheet are carried at their nominal value on a net basis.

Property taxes are recorded in the income statement and paid during the tax year. They are classified as other operating expenses.

Classification of items in the balance sheet

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

Plants under construction

Plants under construction are recognised in the balance sheet at acquisition cost less any accumulated losses from impairments. Plants under construction are not depreciated.

Development projects start off with a feasibility and alternative study. The project is recognised in the balance sheet when the conclusion from the study is available, and the main development concept has been selected. At this point, a licence has not been granted and no final investment decision has been made. Statnett’s experience is that once a main concept has been selected for development, it is highly likely that the project will be implemented.

Ongoing assessments are made of whether licensing conditions or other causes necessitate a full or partial write-down of the project expenses incurred. Write-downs are reversed when there is no longer any basis for the write-down.

Interest during the construction period

Construction loan costs related to the company's own plants under construction are capitalised in the balance sheet. The interest is calculated based on the average borrowing interest rate and scope of the investment, as the funding is not identified specifically for individual projects. Interest is recorded in the income statement through depreciation based on the associated asset's anticipated economic life.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and write-downs. The depreciation reduces the carrying value of tangible fixed assets, excluding building lots, to the estimated residual value at the end of the expected useful life. Fixed assets are depreciated in a straight line from the time the fixed assets were ready to be used. This applies correspondingly to fixed assets acquired from other grid owners. Significant components of fixed asset are assessed separately for depreciation purposes. The significance is assessed based on the cost price of the components in relation to the cost price of the whole fixed asset.

Cost estimates for removal of tangible fixed assets are recognised as part of the acquisition cost at the time the Group is considered to have a legal or actual removal obligation. The estimate is assessed at the present value of the expenditure expected to incur at a future point in time. The annual interest cost that incurs as a result of the liability being one year closer to settlement, is recognised as a cost. The estimate may be amended later as a result of a change in the estimate of the size of the expense, change in the expected schedule and/or change in the discount rate. The amendments are recognised in the balance sheet as an increase or reduction of the book value of the fixed asset. If a potential reduction is higher than the book value of the fixed asset, the excess amount is recorded in the income statement. If there is an increase in the book value, the Group will assess whether this is a depreciation indicator.

Gains or losses on the divestment or scrapping of property, plant and equipment are calculated as the difference between the sales proceeds and the fixed assets' carrying value. Gains/losses on divestment are recorded in the income statement as other operating revenues/expenses. Losses on scrapping are recognised in the income statement as depreciation, amortisation and write-downs.

Compensation

Lump sum payments in connection with the acquisition of land etc. are included in the cost price of the fixed asset.

Ongoing payments are minor amounts and are recognised in the income statement in the year in which the payment is disbursed.

Maintenance/upgrades

Maintenance expenses are recognised in the income statement when they are incurred. No provisions are made for the periodic maintenance of the grid (transformer stations or power lines/cables). Even though maintenance is periodic for the individual transformer station or power line, it is not considered to be periodic for the entire grid as the grid as a whole is regarded as a single cash-generating unit. If the fixed asset is replaced, any residual financial value will be recorded in the income statement as a loss on scrapping.

Expenses that significantly extend the life of the fixed asset and/or increase its capacity are capitalised.

Intangible assets

Intangible assets are measured at acquisition cost on initial recognition. For intangible assets included in a business combination, acquisition cost is measured at fair value on the transaction date. In later periods, intangible assets are recognised at acquisition cost less accumulated amortisations and write-downs. Intangible assets with a fixed useful life are amortised over the asset's useful life which is assessed at least once a year. Intangible assets are amortised in a straight line as this best reflects the use of the asset.

Goodwill

Goodwill is not amortised. Goodwill does not generate cash flows independently of other assets or groups of assets, and is allocated to the cash-generating units expected to benefit from the synergy effects of the business combination that generated the goodwill. Cash-generating units allocated goodwill are evaluated for write-down annually, or more often if there are any indications of impairment in value. If the recoverable amount (the higher of the net sales and utility value) for the cash-generating unit is lower than the carrying value, the write-downs will first reduce the carrying value of any goodwill and then the carrying value of the unit's other assets, proportionally based on the carrying value of the individual assets in the unit. The carrying value of individual assets is not reduced below the recoverable amount or zero. Write-downs of goodwill cannot be reversed in a subsequent period if the fair value of the cash-generating unit increases. Impairment of value is included in the income statement as a part of write-downs.

Write-down of property, plant and equipment and intangible assets other than goodwill

On each reporting date, the Group considers whether there are any indications of impairment in value for property, plant and equipment and intangible assets. If there are any indications of impairment in value, the Group will estimate the recoverable amount for the assets and evaluate potential write-down.

The recoverable amount is the higher of the net sales and utility value. To assess the utility value, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset.

If the recoverable amount for a fixed asset (or cash-generating unit) is estimated to be lower than the carrying value, the carrying value of the fixed asset (or cash-generating unit) will be reduced to the recoverable amount. If an impairment in value is subsequently reversed, the carrying value of the fixed asset (cash-generating unit) will be increased to the revised estimate of the recoverable amount, but limited to the value that would be the carrying value if the fixed asset (or cash-generating unit) had not been written down in a prior year.

Leasing

The Group as lessor

Financial lease agreements

Financial lease agreements are lease agreements where the lessee takes over the majority of the risk and return associated with the ownership of the asset. The Group presents leased assets as receivables equal to the net investment in the lease agreements. The Group's financial income is determined so that a constant rate of return is achieved on the outstanding receivables over the term of the agreement period. Direct expenses incurred in connection with the establishment of the lease agreement are included in the receivable.

Operating leases

The Group presents leased assets as fixed assets in the balance sheet. The lease revenue is recognised in a straight line over the term of the lease period. Direct expenses incurred to establish the operating lease agreement are added to the leased asset's carrying value and recognised as expenses during the term of the lease on the same basis as the lease revenue.

The Group as lessee

Financial lease agreements

Financial lease agreements are lease agreements where the Group takes over the majority of the risk and return associated with ownership of the asset. At the beginning of the lease term, financial lease agreements are capitalised at an amount corresponding to the lower of fair value and the present value of the minimum rent, less accumulated depreciation and write-downs. When calculating the lease agreement's present value, the implicit interest charge in the lease agreement is used if this can be estimated. Otherwise, the company's marginal borrowing rate is used. Direct expenses related to establishing the lease agreement are included in the asset's cost price.

The same depreciation period is used as for the company's other depreciable assets. If it is not reasonably certain that the company will acquire ownership at the end of the lease period, the asset will be depreciated over the shorter of the lease agreement's duration and the asset's useful life.

Operating leases

Operating leases where the majority of the risk and return associated with ownership of the asset is not transferred to the Group, are classified as operating leases. The rent payments are classified as operating expenses and are recorded in a straight line in the income statement over the duration of the agreement.

Research and development

Research expenses are recognised on a current basis. Research is an internal process that does not give rise to independent intangible assets that generate future economic benefits.

Expenses related to development activities are capitalised in the balance sheet if the product or process is technically and commercially feasible and the Group has adequate resources to complete the development. Expenses capitalised in the balance sheet include material expenses, direct wage costs and a percentage of directly attributable overhead expenses. Capitalised development expenses are recorded at acquisition cost, less any accumulated depreciation and write-downs.

Capitalised development expenses are depreciated in a straight line over the estimated useful life of the asset.

Accounts receivable

Trade accounts are recorded in the accounts at nominal value less any losses from impairment in value.

Contingent assets and liabilities

Contingent liabilities are not recorded in the annual financial statements. Significant contingent liabilities are disclosed unless the probability of the liability is low.

Contingent assets will not be recorded in the annual financial statements, but will be disclosed if there is a certain degree of probability that it will benefit the Group.

Higher/lower revenues are contingent liabilities/assets in accordance with IFRS and are not recorded in the balance sheet.

Dividend (from the parent company)

Dividends paid are recorded in the Group's financial statements during the period in which they are approved by the General Meeting. If the approval and payment occur in different periods, the amount will be allocated to current liabilities until payment is made.

Pensions and pension liabilities

The Group's liability relating to pension schemes, defined as defined-benefit pension schemes, is recognised at the present value of the future retirement benefits accrued at the end of the reporting period. Pension assets are evaluated at fair value. The accumulated effect of estimate changes and changes in financial and actuarial assumptions, actuarial gains and losses, are recognised under other comprehensive income in the statement of comprehensive income. Net pension costs for the period are presented as wage and staff costs. The Group has chosen to present the net interest expenses element as wage and personnel costs, as this provides the best information about the Group's pension costs.

Improvements, reductions or other changes to current defined-benefit pension schemes result in changes to the pension liability. Changes in current schemes are recognized in profit or loss when they occur.

Loans

Interest-bearing loans are recorded in the income statement as the proceeds that are received, net of any transaction costs. Loans are subsequently accounted for at amortised cost using the effective interest rate method, where the difference between net proceeds and redemption value is recognised in the income statement over the term of the loan.

Financial instruments

The initial measurement of financial instruments is at fair value on the settlement date, normally at the transaction price.

- Financial assets and liabilities held for the purpose of profiting from short-term price fluctuations (held for trading purposes) or accounted for according to the fair value option are classified at fair value through profit or loss.
- All other financial assets with the exception of loans and receivables issued by the company are classified as available for sale.
- All other financial liabilities are classified as other liabilities and accounted for at amortised cost.

Gains or losses attributed to changes in fair value of financial instruments classified as available for sale are recognised as other comprehensive income until the disposal of the investment. The cumulative gain or loss on the financial instrument previously recognised in other comprehensive income will be reversed, and the gain or loss will be recognised in the income statement.

Changes in the fair value of financial instruments classified at fair value through profit or loss (held for trading purposes or fair value option) are recognised in the income statement and presented as financial income/expenses.

Financial instruments are included in the balance sheet when the Group becomes a party to the instrument's contractual terms. Financial instruments are eliminated from the balance sheet when the contractual rights or obligations have been fulfilled, cancelled, or transferred, or they have expired. Financial instruments are classified as long-term when they are expected to be realised more than 12 months after the balance sheet date. Other financial instruments are classified as short-term.

Set-off

Financial assets are offset against financial liabilities if there is a legally enforceable right to set off the recognised amounts and the enterprise intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Statnett currently has no financial instruments that are set off and presented net in the balance sheet.

Derivatives

Derivatives are recognised initially at fair value on the date when the contract is entered into and then measured at fair value on a current basis. Derivatives are accounted for as assets or liabilities when the company has no right or intention to settle the contracts net. Gains and losses resulting from changes in the fair value of derivatives that do not meet the conditions for hedge accounting are recorded in the income statement.

Embedded derivatives in contracts are separated and measured separately. At the end of the accounting year, the Group had no embedded derivatives.

Hedging

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

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

Fair value hedging

Changes in the fair value of the derivative classified as a hedging instrument are recorded in the income statement continuously. Changes in the fair value of the hedging instrument are recorded correspondingly.

For fair value hedging of items that are accounted for at amortised cost, the change in value is amortised in the income statement over the remaining period until maturity.

The Group discontinues fair value hedging if (1) the hedging instrument expires, is sold, terminated or exercised, (2) the hedging no longer fulfils the conditions for hedge accounting or (3) the Group cancels the hedging due to other reasons.

The Group uses fair value hedging primarily to hedge the interest rate risk for fixed interest rate loans and the currency risk for interest-bearing liabilities. Fair value hedging is also performed for specific acquisitions in foreign currencies for investment projects. Unrealised hedging gains/losses (currency futures) reduce/increase the cost price of the investments upon realisation.

Cash flow hedging

The criterion for cash flow hedging is that the pending transaction must be likely, and that continuous evaluation shows that the hedging has been efficient. The effective part of changes in the fair value of the hedging instrument is recognised as other comprehensive income, while the ineffective part is recognised as financial income or cost.

Amounts that are initially recognised as other comprehensive income are reclassified and recognised in the income statement as financial income or cost when the hedged transaction is conducted.

If the expected future transaction is no longer expected to take place, amounts recognised earlier as other comprehensive income will be recognised in the income statement as financial income or cost. If the hedging instrument expires, or is sold, terminated or used, or Statnett chooses to discontinue the hedging relationship, even if the hedged transaction is expected to occur, accumulated gains and losses remain as other comprehensive income and are recognised in the income statement when the transaction is executed.

The Group uses cash flow hedging primarily to hedge the interest rate risk in respect of loans with floating interest rates.

Measurement of financial instruments

The Group uses the following measuring 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 adjustments are made with regard to these prices.
- Level 2: Fair value is measured using other observable input than 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, bonds and certificates are considered level 1 because the securities are listed on the stock exchange and freely negotiable, and measured at the most current market price. Shares and ownership interests that are not listed on the stock exchange are assessed based on corporate accounts and are consequently considered to be at level 3.

Derivatives are considered level 2. The currency element of currency futures contracts is measured at observable market prices applying Norges Bank rates. Different maturity dates mean that an interest rate element is added which provides a calculation of the fair value of currency futures contracts.

Financial risk management

Financial risk management is performed by the central finance department in accordance with guidelines approved by the Board of Directors. The Board of Directors lays down principles for general financial risk management in addition to guidelines that cover specific financial risks.

Foreign currency

The consolidated financial statements are presented in Norwegian Kroner (NOK), which is also the parent company's functional currency. All Group companies use NOK as their functional currency.

As all the companies in the Group have the same functional currency, no translation differences arise upon consolidation of the group companies.

Transactions in foreign currency are recognised at the current exchange rates prevailing at the date of the transaction. Monetary items in currencies are translated into NOK at the exchange rate in effect on the balance sheet date. Non-monetary items measured at acquisition cost are translated into NOK at the exchange rate in effect on the transaction date. Non-monetary items that are measured at fair value expressed in foreign currency are translated at the exchange rate in effect on the balance sheet date. Changes in exchange rates are recorded on a current basis in the income statement during the reporting period and presented as financial items.

Long-term interest-bearing debt in foreign currency is related to interest rate and currency swaps and treated as borrowings in NOK.

Provisions

Provisions for liabilities are recognised in the income statement when the Group has an existing liability (legal or assumed) as a result of an event that has taken place and it can be demonstrated as probable (more likely than not) that a financial settlement will be made as a result of the liability, and the amount can be reliably measured. Provisions are reviewed on each balance sheet date and the level reflects the best estimate of the liability. If there is a substantial time effect, the liability will be accounted for at the present value of future liabilities.

Government grants

Government grants are not recorded in the accounts until it is reasonably certain that the Group will meet the conditions stipulated for receipt of the grants and that the grants will be received. Grants are recorded as a deduction in the expenses that they are meant to cover.

Events since the balance sheet date

New information on the company's positions on the balance sheet date is incorporated into the annual financial statements. Events after the balance sheet date that do not affect the company's position on the balance sheet date, but will affect the company's position in the future, are disclosed if they are material.

NOTE 2 NEW AND AMENDED ACCOUNTING STANDARDS

New and amended accounting standards and interpretations

The standards and interpretations that were adopted before submission of the consolidated accounts, but where the effective date is in the future, are stated below. The Group intends to implement the relevant amendments at the effective date, provided that the EU approves the amendments before the Group accounts are presented.

IFRS 9 Financial Instruments

New principles for impairment were published in July 2014 and the standard is now completed. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9. The EU have not yet approved the standard.

The Group is currently evaluating the potential accounting effects of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). The EU have not yet approved the standard.

The Group is currently evaluating the potential accounting effects of IFRS 15. The preliminary evaluation indicates that IFRS 15 could influence the Group's recognition of revenue from other services and customer projects that are included in Other operating revenue. The Group's Operating revenue from regulated operations is most likely not affected by the standard.

IFRIC 21 Levies

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Interpretation includes guidance illustrating how the Interpretation should be applied. Within the EU/EEA, the Interpretation is effective for annual periods beginning on or after 17 June 2014.

IFRS 21 is from 1 January 2015 effective for the Group's recognition of property tax as an obligation. The obligating event will occur when the municipality issues the property tax to the Group entity. This implies that the Group recognizes the property tax when the invoice for the next term is received from the municipalities.

IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or

joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments could affect the accounting of future transactions, but are not considered to imply substantial changes in the Group's application of accounting principles or notes.

Annual Improvements 2010 – 2012

The EU has not yet approved the amendments.

The annual improvement project for 2010 – 2012 contains amendments to several standards:

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.

The amendments could imply changes to the accounting of future transactions, but are not considered to imply substantial changes in the Group's application of accounting principles or notes.

IFRS 13 Fair Value Measurement

The IASB clarified that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

The amendments are not considered to imply substantial changes in the Group's application of accounting principles or notes.

NOTE 3 ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in compliance with IFRS requires that the management prepares assessments and estimates and assumptions that affect the application of accounting principles. This affects recognised amounts for assets and liabilities on the balance sheet date, reporting of contingent assets and liabilities, as well as the reported revenues and costs for the period.

Accounting estimates are used to determine some amounts that have an impact on the group's financial statements. This requires that the management prepares assumptions relating to values or uncertain conditions at the time of preparation. Key accounting estimates are estimates that are important to the Group's financial performance and results, requiring the management's subjective and complex assessment, often related to factors encumbered by uncertainty. Statnett assesses such estimates continuously on the basis of previous results and experiences, consultations with experts, trends, prognoses and other methods which the management deems appropriate in the individual case.

Provisions for liabilities relating to disputes and legal claims are recognised in the income statement when the Group has an existing liability, legal or self-imposed, as a result of an event that has taken place. Furthermore, it must be possible to measure the amount reliably and it must be demonstrated as probable that the liability will be settled. The provisions are measured to the best of the management's ability on the balance sheet date.

Insurance claims are considered a contingent asset and are not recognised as income until the income is virtually certain. In connection with development projects where additional costs relating to the repair of damage constitute part of the facility's cost price, and there is no basis for write-down, insurance claims are recognised as a reduction of the project's acquisition costs. Such a reduction is contingent on the insurance company having acknowledged the damage and that the amount can be reliably estimated.

Significant items relating to Statnett's use of estimates:

(Amounts in NOK million)

Item	Note	Estimate/assumptions	Group Book value
Other intangible assets	8	Estimate of recoverable amount and remaining useful life	227
Property, plant and equipment	8	Estimate of recoverable amount and remaining useful life	27 375
Pension liabilities	7	Financial and demographic assumptions	869
Asset removal obligations		Estimate of removal costs, removal dates and price increases in the period leading up to removal	480

Depreciation / Amortisation

Property, plant and equipment

Depreciation is based on the management's assessment of the useful life of property, plant and equipment. The assessments may change owing, for example, to technological developments and historical experience. This may entail changes in the estimated useful life of the asset and thus the depreciation. It is difficult to predict technological developments, and the management's view of how quickly changes will come may change over time. If expectations change significantly, the depreciation will be adjusted with effect for future periods. The estimated useful life, depreciation method and residual value are assessed at least once a year. For most assets, the residual value is estimated at zero at the end of the useful life.

Goodwill and other intangible assets

Goodwill arising in a business combination is not amortised. Intangible assets with a fixed useful life are amortised over the asset's useful life. Useful life is evaluated at least once a year. Intangible assets are amortised in a straight line as this best reflects the use of the asset.

Write-downs

Property, plant and equipment

Statnett has made significant investments in property, plant and equipment. The value of these assets is assessed when there is an indication of impairment in value. Property, plant and equipment in the parent company are regarded as one cash-generating unit and are assessed collectively since Statnett SF has one collective revenue cap. In subsidiaries, each fixed asset is assessed individually.

Statnett expects to make substantial investments in the future. These will largely take place in the form of projects under the company's own direction which are recorded in the balance sheet as plants under construction until the fixed asset is ready to be put into operation. Projects under execution are valued individually on indications of impairment in value.

Estimates of the recoverable amounts for assets must be based in part on the management's assessments, including the calculation of the assets' revenue-generating capacity and the probability of licences being granted for development projects. Changes in circumstances and the management's assumptions may result in write-downs for the relevant periods.

Goodwill

Goodwill is evaluated for write-down annually, or more often if there are any indications of impairment in value, based on the cash-generating unit to which goodwill is allocated. If the recoverable amount (the higher of net sales and utility value) for the cash-generating unit is lower than the carrying value, the write-downs will first reduce the carrying value of any goodwill and then the carrying value of the unit's other assets, proportionally based on the carrying value of the individual assets in the unit. The carrying value of individual assets is not reduced below the recoverable amount or zero. Write-downs of goodwill cannot be reversed in a subsequent period if the fair value of the cash-generating unit increases. Impairment of value is included in the income statement as a part of write-downs.

Other intangible assets

On each reporting date, the Group considers whether there are any indications of impairment in value for intangible assets. If there are any indications of impairment in value, the Group will estimate the recoverable amount for the assets and evaluate potential write-down.

Pension liabilities

Net pension liabilities are calculated based on the Norwegian Accounting Standards Board's updated assumptions as of 31 December. These assumptions are considered relevant for the Group's pension schemes.

NOTE 4 OPERATING REVENUES

Operating revenues regulated operations

Statnetts revenues mainly derive from operations where the revenues are regulated by the NVE. Statnett's actual operating revenues from regulated operations come from tariff revenues in the main grid and regional grid, as well as congestion revenues.

Due to uncertainty relating to each year's actual revenues and final permitted revenue, which the NVE decides after year-end, a difference arises annually between Statnett's actual operating revenues from regulated operations and Statnett's permitted revenue. This difference is called higher or lower revenue. Higher revenue occurs when Statnett's has higher actual operating revenues than the revenue cap set by the NVE for a particular year. Lower revenue means that Statnett's actual operating revenues are lower than the permitted revenue.

Pursuant to NVE regulations, any higher revenues, including interest, must be returned to the customers in the form of lower future tariffs, whereas lower revenues, including interest can be recouped from the customers in the form of higher future tariffs. The obligation to reduce future tariffs and the opportunity to collect increased tariffs do not qualify for capitalisation according to IFRS, consequently representing a latent obligation (in the event of accumulated higher revenue) and a latent receivable (in the event of accumulated lower revenue). Consequently, an annual change in these items will not be included in the income statement.

Statnett's actual operating revenues from regulated operations equal the total of Statnett's permitted revenue stipulated by the NVE and the higher/lower revenue the same year.

Specification of income by regional grid (R Grid) and the main grid (M Grid)

(Amounts in NOK million)

Parent Company

Operating revenues	R Grid	S Grid	Total 2014	R Grid	S Grid	Total 2013
Tariff revenues fixed element generation	44	1 434	1 478	29	955	984
Tariff revenues fixed element consumption	133	2 476	2 609	28	2 204	2 232
Other rental income	-	84	84	88	75	163
Tariff revenues energy element	-1	633	632	2	811	813
Congestion revenues	-	807	807	-	576	576
Income from other owners in the regional and main grids	-61	-194	-255	-42	-323	-365
Total operating revenues regulated activities	115	5 240	5 355	105	4 298	4 403
Permitted revenue						
Revenue cap without grid losses	84	4 102	4 186	99	3 890	3 989
Revenue cap, grid losses	12	614	626	15	707	722
Supplement to revenue cap	2	1 206	1 208	13	637	650
Total permitted revenue	98	5 922	6 020	127	5 234	5 361
This year's provision for interest higher/lower (-/+) revenue	1	-43	-42	1	-60	-59
This year's higher/lower (-/+) revenue	-16	681	665	22	936	958
Higher/lower (-/+) revenue decision	-	-	-	4	139	143
This year's changed balance for higher/lower (-/+) revenue	-15	638	623	27	1 015	1 042
Balance higher/lower (-/+) revenue, incl. interest as at 1 Jan.	61	-2 474	-2 413	34	-3 489	-3 455
Changed balance for higher/lower (-/+) revenue, incl. Interest	-15	638	623	27	1 015	1 042
Balance higher/lower (-/+) revenue, incl. interest as at 31 Dec.	46	-1 836	-1 790	61	-2 474	-2 413

Total operating revenues from regulated operations increased by NOK 952 million from 2013 to 2014, mainly due to higher tariff revenues as a result of higher stipulated tariffs for 2014 compared with 2013.

(Amounts in NOK million)

Group

Operating revenues	R Grid	S Grid	Total 2014	R Grid	S Grid	Total 2013
Tariff revenues fixed element generation	44	1 434	1 478	29	955	984
Tariff revenues fixed element consumption	133	2 476	2 609	28	2 204	2 232
Other rental income	-	84	84	88	75	163
Tariff revenues energy element	-1	633	632	2	811	813
Congestion revenues	-	807	807	-	576	576
Income from other owners in the regional and main grids	-61	-160	-221	-42	-323	-365
Total operating revenues regulated activities	115	5 274	5 389	105	4 298	4 403
Permitted revenue						
Revenue cap without grid losses	84	4 136	4 220	99	3 890	3 989
Revenue cap, grid losses	12	614	626	15	707	722
Supplement to revenue cap	2	1 206	1 208	13	637	650
Total permitted revenue	98	5 956	6 054	127	5 234	5 361
This year's provision for interest higher/lower (-/+) revenue	1	-43	-42	1	-60	-59
This year's higher/lower (-/+) revenue	-16	681	665	22	936	958
Higher/lower (-/+) revenue decision	-	-	-	4	139	143
This year's changed balance for higher/lower (-/+) revenue	-15	638	623	27	1 015	1 042
Balance higher/lower (-/+) revenue, incl. interest as at 1 Jan.	61	-2 474	-2 413	34	-3 489	-3 455
Changed balance for higher/lower (-/+) revenue, incl. Interest	-15	638	623	27	1 015	1 042
Balance higher/lower (-/+) revenue, incl. interest as at 31 Dec.	46	-1 836	-1 790	61	-2 474	-2 413

Total operating revenues from regulated operations increased by NOK 986 million from 2013 to 2014, mainly due to higher tariff revenues as a result of higher stipulated tariffs for 2014 compared with 2013.

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

Impact of grid outages on profit

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

Other operating revenue

Other operating revenues are revenues outside of the regulated operations and consist of mainly external consultancy commissions and rental income. External assignments within the rest of the group are carried out by Statnett Transport AS.

With effect as of 1 July 2014, Statnett entered into an agreement with JM Norway AS and Milierium AS concerning the sale of Statnett's former head office at Husebyplatået in Oslo. The agreement relates to the main section of Statnett's property at Husebyplatået, which was Statnett's head office from 1992 to 2013. In addition, an option agreement has been entered into for the remaining part of the site. The total framework for the sale is approximately NOK 700 million. The book value of the properties com-

prised by the agreement is NOK 72 million. In 2014, the recorded gain associated with the sale was NOK 56 million. The enterprise expects to report further revenues in the years ahead, as the revenues qualify for recognition in the accounts.

Balance settlement

Statnett SF holds a separate licence to settle the regulating power settlement system in Norway. This involves effectuating a financial settlement of the difference the balance responsible market players have between planned acquisitions and liabilities and the actual measured values. The balance responsible market players are financial counterparties in the settlements and must provide collateral in accordance with the Balance Agreement. The collateral requirement is calculated weekly based on trading volume and market prices. Collateral is posted as a guarantee on demand or as a cash deposit in a pledged bank account. The amount of collateral posted totalled NOK 1 026 million at year-end. The collateral posting for balance responsible market players on the same date was NOK 526 million. All balance responsible market players had posted satisfactory collateral under the Balance Agreement.

In 2014, income for the balance settlement responsibility amounted to NOK 63 million, of which NOK 23 million were fee revenues. Outstanding trade accounts receivables relating to the balance accounting totalled NOK 11 million at 31 December 2014 and are disclosed as trade accounts and other short-term receivables.

Operating profit within and outside grid activities

Parent company			Group	
2013	2014	(Amounts in NOK million)	2014	2013
310	1 359	Operating profit within grid activities	1 370	310
9	23	Operating profit outside grid activities	23	9
319	1 382	Total operating profit	1 393	319

Basis for return on invested grid capital

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

Parent company			Group	
2013	2014	(Amounts in NOK million)	2014	2013
19 222	26 959		27 057	19 222

Return on invested grid capital

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

Parent company			Group	
2013	2014	(Return in percentage)	2014	2013
6 %	7 %		7 %	6 %

NOTE 5 SYSTEM SERVICES AND TRANSMISSION LOSSES**System services**

Parent company			Group	
2013	2014	<i>(Amounts in NOK million)</i>	2014	2013
19	32	Net regulating and peak power	32	19
135	104	Primary reserves	104	135
62	20	Secondary reserves	20	62
87	35	Tertiary reserves	35	87
102	95	Transit costs	95	102
104	275	Special adjustments	275	104
60	48	Other system services	48	60
569	609	Total system services	609	569

System services are costs relating to the exercise of Statnett's system responsibility as defined in the Regulations relating to the system responsibility in the power system (FoS).

The frequency in the power grid must be 50Hz. Statnett, as Transmission System Operator (TSO), is responsible for ensuring that this frequency remains stable. The requirement to maintain a reserve capacity for regulating purposes imposes limitations on the producers as they are unable to generate and sell the full generator capacity. We distinguish between three different forms of reserve capacity.

Primary regulation

The primary regulation is automatic and is activated immediately if any changes occur in the power grid frequency. This takes place by using a pre-agreed reserve capacity. The requirement to maintain a reserve capacity for regulating purposes imposes limitations on the producers as they are unable to generate and sell the full generator capacity. Primary reserves are costs Statnett incurs by buying reserve capacity from the producers. The extent of primary reserves is determined by agreements at Nordic level and the reserves are acquired through market solutions.

Secondary reserves

Automatic secondary reserves are activated to release the primary reserves so that they in turn can quickly handle any new faults or imbalances. Automatic secondary reserves function by the TSO sending a signal to a market player/power plant, which will then change the plant's generation. Secondary reserves are also referred to as Load Frequency Control (LFC) and in the Nordic countries they are mainly used to handle frequency deviations. The extent of secondary reserves is determined by agreements at Nordic level and the reserves are acquired through market solutions.

Tertiary regulation

In Norway there is an options market for regulating power. This is used to ensure that we have sufficient regulating resources available in the Norwegian section of the regulating power market, also during periods of demand for increased output, such as in the winter months. In the winter, the TSO sets up a market where they purchase a guarantee ensuring that market members submit bids for the regulating power lists for the subsequent week. The guarantees can apply for both consumption and production.

Transit costs

Transit costs are compensation for the use of grids abroad. The power system in Europe is connected through transmission lines/cables crossing international borders.

Special adjustments

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

Transmission losses

Statnett buys transmission losses (volume) from external suppliers at spot price (market price) for the hour the transmission loss applies. The main grid transmission loss result is distributed between the grid owners in accordance with their proportionate shareholding in the main grid. 4,05 percent of the facilities are owned by other companies than Statnett SF.

Parent company			Group	
2013	2014		2014	2013
2 287	2 497	Volum (GWh)	2 497	2 287
304	235	Price (kr/MWh)	235	304
<i>(Amounts in NOK million)</i>				
696	584	Transmission losses	584	696
2	2	Transmission losses result other	2	2
698	586	Total transmission losses	586	698

NOTE 6 SALARIES AND PERSONNEL COSTS

Parent company			Group	
2013	2014	<i>(Amounts in NOK million)</i>	2014	2013
775	857	Salaries	869	784
126	146	Employer's national insurance contributions (NICs)	149	128
166	185	Pension costs (Note 7)	187	168
92	94	Other benefits	85	87
1 159	1 282	Total salaries costs	1 290	1 167
-388	-572	Of which own investment projects	-575	-388
771	710	Net salaries costs	715	779
1060	1 100	Number of full-time equivalents	1 119	1074

Loans to employees

Employees had loans in the company totalling NOK one million as at 31 December 2014. The loans are repaid by salary deductions over a period of up to two years. The loans are interest-free for the employee. The interest gain of loans exceeding 3/5 of the basic amount is taxed in relation to the current standard interest rate set by the authorities.

NOTE 7 PENSIONS

The parent company and subsidiaries have pension schemes entitling the employees to future pension benefits in the form of defined benefit schemes. The Group's pension schemes meet the requirements in the Norwegian Mandatory Occupational Pension Act.

The pension benefits are based on the number of service years and final wage at retirement age. The full retirement is 70 percent of pensionable income less calculated disbursements under the Norwegian National Insurance Scheme. The pensionable income is limited upward to 12 times the basic amount under the National Insurance Scheme. The full contribution period is 30 years and the normal retirement age is 67. The pension scheme also includes disability pensions, spouse pensions and children's pensions.

Accrued pension rights are secured chiefly through pension schemes in Statnett SF's pensjonskasse. In addition, the parent company has early retirement pension obligations that are funded through operations.

Contributions to the pension fund are made in accordance with actuarial calculations. The pension assets in Statnett Pensjonskasse are invested primarily in securities. See the table relating to percentage distribution of pension assets in investment categories.

The Group management has separate additional agreements under which the normal retirement age is 65, but with the possibility of retirement after reaching the age of 62. The retirement pension is 66 percent of the pensionable income. The pensionable income also includes incomes that exceeds 12 times the basic amount under the National Insurance Scheme.

For personnel employed after 1 March 2011, additional agreements will be entered into exceeding 12 times the Norwegian national insurance scheme's basic amount within the framework of the Guidelines relating to terms of employment for senior executives in state-owned enterprises and companies, stipulated on 31 March 2011. The Board of Directors will evaluate if "Guidelines for salary and other remuneration for group management in enterprises and companies with state ownership", issued by the Ministry of Trade, Industry and Fisheries, taking effect from 13 February, 2015, will imply changes in Statnett's guidelines for group management remuneration/benefits for the year 2015.

For more information, cf. Note 19 Remuneration/benefits to the Group management. Annual premium payments will be limited to 30 percent of the salary exceeding 12 G.

The Group is a member of the private contractual early retirement scheme (AFP scheme) that came into force in 2011. The scheme entails that employees will receive a lifelong supplement to the national insurance retirement pension. The pension can be drawn from age 62, also if an employee decides to keep working. The AFP scheme is a defined-benefit multi-company scheme organised through a general office and financed through premiums stipulated as a percentage of the salaries. There is no reliable way of measuring and allocating liabilities and assets under the scheme. Consequently, the scheme is treated as a defined contribution scheme, according to the accounting rules, and premium payments are recognised on a current basis, and no provisions are made in the accounts. The premium for 2014 is 2.2 percent of overall wage payments between 1 G and 7.1 G to the company's employees, estimated at NOK 11 million. There is currently no accumulation of funds under the scheme, and premiums are therefore expected to increase in the time ahead.

The old AFP scheme will be discontinued from 1 January 2011. Spekter will remain the Group's contracting party under the scheme which now only applies to personnel born before 1 December 1948 who drew a pension from the scheme on 1 December 2010 at the latest.

The net pension liabilities in the balance sheet are determined after adjustment for deferred recognition in the income statement of the effect of changes in estimates and pension schemes, as well as discrepancies between the actual and interest income on pension assets that have not yet been realised in the income statement. The net pension liabilities are reported as provisions for liabilities.

Employees who leave the group before retirement age receive a paid-up policy. The paid-up policies have been managed by the life insurance company Storebrand Livsforsikring AS. For the employees that leaves the enterprise, after January 1th 2014, Statnett SF' Pensjonkasse manage the paid-up policies. From the date the paid-up policy is issued, Statnett is exempt from any obligation to employees to which the paid-up policies apply. Assets and liabilities are measured at the date of issue of the paid-up policies, and are separated from pension assets and liabilities.

An independent actuary calculated the pension liabilities in January 2015 as an estimate of the situation at 31 December 2014.

When calculating the pension liabilities, the National Insurance contributions that the enterprise is required to pay on the payment of direct pensions or the payment of premiums for fund-based schemes are taken into account.

The National Insurance contribution is a component of the enterprise's benefit and is recorded as part of the pension liabilities.

Members of the pension scheme

Parent company			Group	
2013	2014		2014	2013
1 445	1 587	Members of the pension fund	1 611	1 464
361	403	Of which pensioners	408	366
1 084	1 184	No. of active pension scheme members	1 203	1 098

Financial/actuarial assumptions, parent company and Group	2014	2013
Discount rate corporate covered bonds (OMF)	2,30 %	4,10 %
Interest income on pension assets	2,30 %	4,10 %
Expected wage adjustments	2,75 %	3,75 %
Expected pension adjustments	1,75 %	2,75 %
Expected adjustment of basic amount (G) under NIS	2,50 %	3,50 %
Mortality table	K2013	K2013

Percentual breakdown of pension assets into investment categories, parent company and Group as at 31 December	2014	2013
Property	4 %	5 %
Held-to-maturity bonds	23 %	26 %
Norwegian bonds	29 %	26 %
High-interest bonds	4 %	4 %
Norwegian money market	14 %	15 %
Foreign shares	21 %	19 %
Norwegian shares	5 %	5 %
Total	100 %	100 %

Pension costs

Parent company			Group	
2013	2014	(Amounts in NOK million)	2014	2013
145	160	Present value of this year's pension contributions	161	147
64	86	Interest cost of pension liability	87	65
-44	-61	Interest income on pension assets	-61	-51
166	185	Net pension costs	187	168
22	26	Employer's contributions	26	22
188	211	Net pension costs, incl. employer's cont.	213	190

The expected pension premium for 2015 is NOK 229 million for the parent company and NOK 232 million for the Group.

Secured and unsecured pension liabilities and pension assets

Parent company			Group	
31.12.13	31.12.14	(Amounts in NOK million)	31.12.14	31.12.13
		Change in gross pension liability		
1 870	2 051	Gross pension liability at 1 Jan.	2 067	1 884
156	175	Present value of the year's pension contributions	178	158
73	84	Interest costs of pension liability	85	73
10	456	Actuarial gains and losses	455	10
-22	-27	Employer's contribution on premium paid	-27	-22
-36	-38	Disbursed pension/paid-up policies	-38	-36
2 051	2 701	Gross pension liabilities as at 31 Dec.	2 720	2 067
		Change in gross pension assets		
1 321	1 566	Fair value of pension assets at 1 Jan.	1 581	1 332
49	61	Interest income on pension assets	61	50
70	49	Actuarial gains and losses	48	70
156	191	Premium paid	193	159
-30	-32	Pension/paid-up policies disbursed	-32	-30
1 566	1 835	Actual value of pension assets as at 31 Dec.	1 851	1 581
485	866	Net pension liabilities as at 31 Dec.	869	486
-	-	Capitalised pension assets at 31 Dec.	-	-
485	866	Capitalised pension liabilities at 31 Dec.	869	486
426	759	Capitalised pension liabilities at 31 Dec. Excl. Employer's contributions	762	427
1 946	2 575	Gross secured pension liabilities at 31 Dec.	2 594	1 962
105	126	Gross unsec. pension liabilities at 31 Dec.	126	105

Changes in estimate deviations of pension liabilities - over Comprehensive income

Parent company

Group

31.12.13	31.12.14	(Amounts in NOK million)	31.12.14	31.12.13
-60	407	Change in pension liabilities	407	-60
16	-110	Deferred tax	-110	16
-44	297	Equity - through Other Comprehensive Income	297	-44

Changes in estimate variances for the year

Parent company

Group

2013	2014	(Amounts in NOK million)	2014	2013
-73	1 214	Discount rate	1 214	-73
-76	-60	Interest income on pension assets	-60	-76
33	-308	Salaries growth	-308	33
-140	-450	Pension adjustments	-450	-140
188	-	Mortality table (K2013)	-	188
8	11	Service cost	11	8
-60	407	Total changes in estimate variances for the year	407	-60

Sensitivity analysis

The figures below give an estimate of the potential effect of a change in certain assumptions for defined-benefit pension schemes in Norway for Statnett.

The following estimates and estimated pension costs for 2014 are based on the facts and circumstances at 31 December 2014. Actual results may differ significantly from these estimates.

Pension liabilities and costs	Current assumptions	Discount rate	Annual salaries growth and change in basic amount (G)	Annual adjustment of pensions
Change in percentage points	-1 %	+1 %	-1 %	+1 %

(Amounts in NOK million)

Parent company

Pension cost before adjustment for interest costs and return on pension assets (SC)	240	323	182	209	277	207	282
Defined-benefit pension liabilities - minimum pension liability (ABO)	2 133	2 693	1 715	2 132	2 134	1 837	2 496
Defined-benefit pension liabilities - present value of pension liability (PBO)	2 698	3 462	2 137	2 470	2 965	2 331	3 147

Group

Pension cost before adjustment for interest costs and return on pension assets (SC)	243	327	185	212	281	210	286
Defined-benefit pension liabilities - minimum pension liability (ABO)	2 148	2 711	1 727	2 147	2 149	1 850	2 513
Defined-benefit pension liabilities - present value of pension liability (PBO)	2 716	3 485	2 151	2 487	2 985	2 347	3 168

The following estimates and estimated pension costs for 2013 are based on the facts and circumstances at 31 December 2013. Actual results may differ significantly from these estimates.

Pension liabilities and costs	Current assumptions	Discount rate	Annual salaries growth and change in basic amount (G)		Annual adjustment of pensions	
			-1 %	+1 %	-1 %	+1 %
Change in percentage points			-1 %	+1 %	-1 %	+1 %

(Amounts in NOK million)

Parent company

Pension cost before adjustment for interest costs and return on pension assets (SC)	175	231	135	153	201	152	203
Defined-benefit pension liabilities - minimum pension liability (ABO)	1 550	1 900	1 305	1 550	1 550	1 371	1 783
Defined-benefit pension liabilities - present value of pension liability (PBO)	2 047	2 583	1 646	1 885	2 236	1 783	2 367

Group

Pension cost before adjustment for interest costs and return on pension assets (SC)	177	234	136	155	203	154	206
Defined-benefit pension liabilities - minimum pension liability (ABO)	1 562	1 916	1 315	1 562	1 562	1 382	1 797
Defined-benefit pension liabilities - present value of pension liability (PBO)	2 063	2 604	1 659	1 900	2 254	1 797	2 386

Risk tables for mortality and disability are based on tables in general use in Norway updated with historical data from the life companies' population. These data entail an adjustment of available tables in the form of increased life expectancy and increased disability probability. The average life expectancy for all age groups in the tables used is 80 years for men and 84 years for women. An extract from these tables is shown below. The table shows life expectancy and probability of disability and death within one year for different age groups.

Mortality table (K2013)

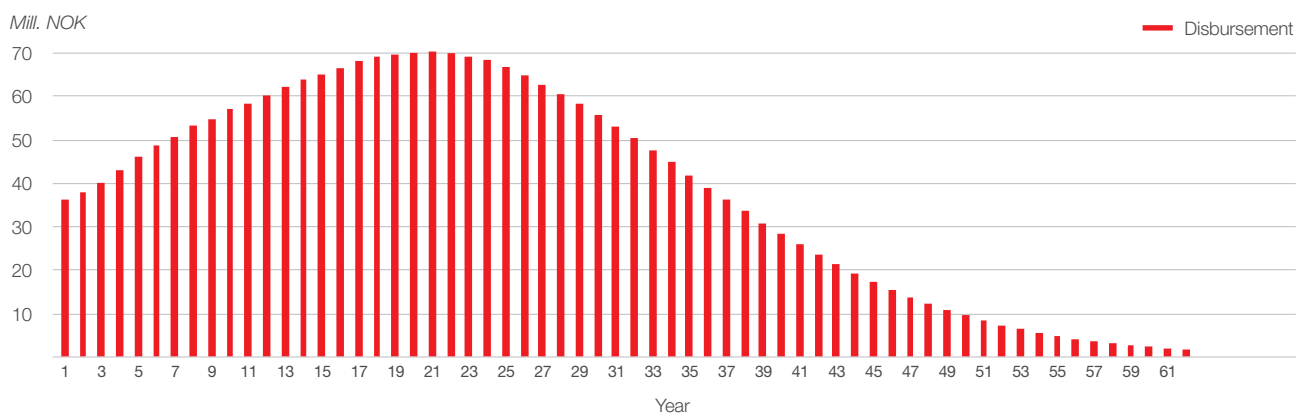
Age	Probability of disability		Probability of death		Life expectancy	
	Men	Women	Men	Women	Men	Women
20	0,13 %	0,16 %	0,03 %	0,01 %	68	72
40	0,21 %	0,35 %	0,07 %	0,04 %	46	50
60	1,48 %	1,94 %	0,47 %	0,32 %	26	29
80	-	-	4,81 %	3,30 %	9	11

Pension disbursement flow Statnett SF

The average weighted maturity for pension liabilities, related to the main scheme in Statnett SF, is estimated at 22 years based on the pension assumptions at 31 Dec. 2014. Average weighted maturity has been taken into account when choosing discount rate.

Current value of future disbursements at 31 Dec. 2014

Parent company PBO presented as disbursement flow.



NOTE 8 TANGIBLE FIXED ASSETS AND OTHER INTANGIBLE FIXED ASSETS

(Amounts in NOK million)

Parent company

	Power lines	Land and subsea cables	Main circuit equipment	Control and auxiliary equipment	ICT equipment	Buildings and land	Other assets and operation equipment	Total
Acquisition cost at 1 Jan. 2013	9 355	2 794	7 121	1 816	1 484	2 967	2 127	27 664
Additions, acquisition cost	1 412	626	580	249	398	1 349	105	4 719
Disposals, acquisition cost	16	30	62	63	168	140	37	516
Acquisition cost at 1 Jan. 2014	10 751	3 390	7 639	2 002	1 714	4 176	2 195	31 867
Additions, acquisition cost	1 367	1 191	1 837	505	286	1 862	121	7 169
Disposals, acquisition cost	-	1	107	65	100	25	14	312
Acquisition cost at 31 Dec. 2014	12 118	4 580	9 369	2 442	1 900	6 013	2 302	38 724
Accumulated depreciation at 1 Jan. 2013	3 991	778	2 490	907	861	600	416	10 043
Depreciation and amortisation for the year	167	82	200	108	184	151	106	998
Disposals, depreciation and amortisation	16	23	88	54	167	123	36	507
Accumulated depreciation at 1 Jan. 2014	4 142	837	2 602	961	878	628	486	10 534
Depreciation and amortisation for the year	241	93	215	114	206	140	113	1 122
Disposals, depreciation and amortisation	-	1	97	63	98	9	12	280
Accumulated depreciation at 31 Dec. 2014	4 383	929	2 720	1 012	986	759	587	11 376
Book value at 31 Dec. 2013	6 609	2 553	5 037	1 041	836	3 548	1 709	21 333
Book value at 31 Dec. 2014	7 735	3 651	6 649	1 430	914	5 254	1 715	27 348
Of which intangible fixed assets								
31 Dec. 2013	-	-	-	-	157	-	-	157
31 Dec. 2014	-	-	-	-	218	-	-	218
Of which financial leasing:								
31 Dec. 2013	-	-	-	-	97	174	208	479
31 Dec. 2014	-	-	-	-	93	159	200	452
Acquisition cost for tangible fixed assets fully depreciated, but still in use	172	294	229	408	495	44	81	1 723
Depreciation rate (straight-line)	2 %	2-7 %	2-5 %	3-13 %	5-33 %	0-7 %	0-33 %	

(Amounts in NOK million)

Group

	Power lines	Land and subsea cables	Main circuit equipment	Control and auxiliary equipment	ICT equipment	Buildings and land	Other assets and operation equipment	Total
Acquisition cost at 1 Jan. 2013	9 355	2 794	7 121	1 816	1 484	2 967	2 469	28 006
Additions, acquisition cost	1 412	626	580	249	398	1 387	132	4 784
Disposals, acquisition cost	16	30	62	63	168	140	57	536
Acquisition cost at 1 Jan. 2014	10 751	3 390	7 639	2 002	1 714	4 214	2 544	32 254
Additions, acquisition cost	1 367	1 191	1 838	505	286	1 862	130	7 179
Purchase of subsidiary	20	-	68	4	9	15	-	116
Disposals, acquisition cost	-	1	107	65	100	25	18	316
Acquisition cost at 31 Dec. 2014	12 138	4 580	9 438	2 446	1 909	6 066	2 656	39 233
Accumulated depreciation at 1 Jan. 2013	3 991	778	2 490	907	861	600	489	10 116
Depreciation and amortisation for the year	167	82	200	108	184	156	121	1 018
Disposals, depreciation and amortisation	16	23	88	54	167	123	51	522
Accumulated depreciation at 1 Jan. 2014	4 142	837	2 602	961	878	633	559	10 612
Depreciation and amortisation for the year	244	93	218	114	207	143	131	1 150
Purchase of subsidiary	5	-	4	-	1	1	-	11
Disposals, depreciation and amortisation	-	1	97	63	98	9	14	282
Accumulated depreciation at 31 Dec. 2014	4 391	929	2 727	1 012	988	768	676	11 491
Book value at 31 Dec. 2013	6 609	2 553	5 037	1 041	836	3 581	1 985	21 642
Book value at 31 Dec. 2014	7 747	3 651	6 711	1 434	921	5 298	1 980	27 742
Of which intangible fixed assets								
31 Dec. 2013	-	-	-	-	157	-	13	170
31 Dec. 2014	-	-	-	-	218	-	9	227
Of which financial leasing:								
31 Dec. 2013	-	-	-	-	97	174	208	479
31 Dec. 2014	-	-	-	-	93	159	200	452
Acquisition cost for tangible fixed assets fully depreciated, but still in use	172	294	229	408	495	44	81	1 723
Depreciation rate (straight-line)	2 %	2–7 %	2–5 %	3–13 %	5–33 %	0–7 %	0–33 %	

Financial leasing is paid for in full in advance. This means that there are no future lease obligations related to financial leasing.

NOTE 9 PLANTS UNDER CONSTRUCTION

Parent company			Group	
2013	2014	(Amounts in NOK million)	2014	2013
4 277	6 020	Acquisition cost at 1 January	6 020	4 277
6 148	5 715	Additions during the year	5 786	6 148
158	195	Capitalised construction interest	195	158
-4 545	-6 955	Transferred to tangible fixed assets	-6 954	-4 545
-18	-	Write-offs	-	-18
6 020	4 975	Plants under construction at 31 December	5 047	6 020

Average capitalisation rate used to determine the loan expense amount that can be capitalised:	2014	2013
	2,73 %	2,95 %

Contractual obligations as at 31 December 2014

Contractual obligations as at 31 December 2014 total NOK 2 699 million. The selection only includes investment projects where future contractual obligations exceed NOK 50 million.

In 2014, Statnett entered into an agreement with Lofotkraft AS. The agreement stipulates that Lofotkraft has the right, but no obligation to, sell grid facilities to Statnett, and Statnett has the obligation, but no right, to purchase the grid facility from Lofotkraft from the time the grid facility in question has been commissioned and connected. The purchase price is estimated at NOK 250 million, and completion is scheduled for October 2016.

NOTE 10 FINANCIAL ITEMS- PROFIT/LOSS

Parent company			Group	
2013	2014	(Amounts in NOK million)	2014	2013
		Financial income		
4	15	Income from investment in associates		-
49	54	Interest income	63	55
-3	-2	Change in value of derivatives	-2	-3
49	121	Gain on exchange	123	50
10	5	Other financial income	18	24
109	193	Total financial income	202	126
		Financial costs		
480	538	Interest costs	527	479
-158	-195	Capitalised construction interest	-195	-158
33	120	Loss on exchange	121	33
59	14	Other financial costs	18	38
414	477	Total financial costs	471	392

NOTE 11 OVERVIEW OF FINANCIAL INSTRUMENTS

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

(Amounts in mill. NOK)

Parent company	Category	Measure- ment level	2014 Book value	Fair value	2013 Book value	Fair value
ASSETS						
Fixed assets						
Long-term receivables	Loans and receivables		185	185	141	141
Subord. capital in Statnett SFs pension fund	Fair value through profit/loss	3	75	75	75	75
Financial assets available for sale	Available for sale	3	12	12	9	9
Derivatives	Fair value through profit/loss	2	3 203	3 203	1 076	1 076
Total fixed asset investments			3 475	3 475	1 301	1 301
Current assets						
Trade accounts receivable	Loans and receivables		184	184	176	176
Derivatives	Fair value through profit/loss	2	57	57	40	40
Other short-term receivables	Loans and receivables		356	356	893	893
Total trade accounts and other short-term receivables			597	597	1 109	1 109
Investment in market-based securities	Fair value through profit/loss	1	996	996	311	311
Liquid assets*	Fair value through profit/loss		2 857	2 857	873	873
LIABILITIES						
Long-term interest-bearing debt	Other liabilities	1	21 889	22 260	16 855	16 985
Derivatives	Fair value through profit/loss	2	245	245	586	586
Total long-term interest-bearing debt			22 134	22 505	17 441	17 571
Short-term interest-bearing debt	Other liabilities	1	2 726	2 732	3 152	3 165
Derivatives	Fair value through profit/loss	2	2	2	8	8
Total short-term interest-bearing debt			2 728	2 734	3 160	3 173
Trade accounts payable and other short-term debt	Other liabilities		1 738	1 738	1 488	1 488

* Included in liquid assets as at 31 December 2014 are reserved tax withholdings of NOK 48 million, securities to Nord Pool Spot AS of NOK 30 million in the parent company and sikkerhetsstillelse knyttet til CSA-kontrakter med 1 861 millioner kroner.

Total Level 1	-23 619	-23 996
Total Level 2	3 013	3 013
Total Level 3	87	87

(Amounts in mill. NOK)

Group	Category	Measure- ment level	2014 Book value	Fair value	2013 Book value	Fair value
ASSETS						
Fixed assets						
Long-term receivables	Loans and receivables		50	50	1	1
Subord. capital in Statnett SF's pension fund	Fair value through profit/loss	3	75	75	75	75
Financial assets available for sale	Available for sale	3	12	12	9	9
Derivatives	Fair value through profit/loss	2	3 203	3 203	1 076	1 076
Total financial fixed assets			3 340	3 340	1 161	1 161
Current assets						
Trade accounts receivable	Lån og fordringer		189	189	144	144
Derivatives	Virkelig verdi over resultatet	2	57	57	40	40
Other short-term receivables	Lån og fordringer		226	226	896	896
Total trade accounts and other short-term receivables			472	472	1 080	1 080
Investment in market-based securities	Fair value through profit/loss	1	1 345	1 345	640	640
Liquid assets*	Fair value through profit/loss		3 019	3 019	970	970
LIABILITIES						
Long-term interest-bearing debt	Other liabilities	1	21 893	22 260	16 855	16 985
Derivatives	Fair value through profit/loss	2	245	245	586	586
Total long-term interest-bearing debt			22 138	22 505	17 441	17 571
Short-term interest-bearing debt	Other liabilities	1	2 503	2 509	2 460	2 473
Derivatives	Fair value through profit/loss	2	2	2	8	8
Total short-term interest-bearing debt			2 505	2 511	2 468	2 481
Trade accounts payable and other short-term debt	Andre forpliktelser		1 763	1 763	1 555	1 555
* Included in liquid assets as at 31 December 2014 are reserved tax withholdings of NOK 49 million and securities to Nord Pool Spot AS of NOK 30 million in the parent company and collateral under CSA agreements of NOK 1 861 million.						
Total level 1			-23 051	-23 424		
Total level 2			3 013	3 013		
Total level 3			87	87		

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

Reconciliation of level 3 in fair value measurements.

Parent company			Group	
2013	2014	(Amounts in NOK million)	2014	2013
80	84	Opening balance at 1. January	84	80
1	3	Net unrealised gain/loss in periode	3	1
3	-	Purchase during period	-	3
84	87	Total fair value level 3	87	84

Financial assets and liabilities

The fair value of forward exchange contracts is determined by applying the forward exchange rate on the balance sheet date. The fair value of currency swaps and interest rate swap is calculated as the present value of future cash flows. Fair value is mainly confirmed by the financial institution Statnett has contracts with.

The fair value of financial assets and long-term liabilities accounted for at amortised cost has been calculated:

- using quoted market prices,
- using interest rate terms for liabilities with a corresponding maturity and credit risk, or
- using the present value of estimated cash flows discounted by the interest rate that applies to corresponding liabilities and assets on the balance sheet date.

In the case of financial instruments such as financial assets available for sale, trade account receivables and other short-term receivables, liquid assets, trade accounts payable and other current liabilities, it is assumed that the book value is the best estimate for fair value, due to the short-term nature of the items.

CSA agreements

Statnett has entered into CSA (Credit Support Annex) agreements with major counterparts. This entails that the market value of derivatives entered into between Statnett and a counterparty is settled on a weekly basis, and that monetary security is received or given for any outstanding amounts.

NOTE 12 INTEREST-BEARING ASSETS AND LIABILITIES

Parent company

Repayment profile for interest-bearing debt for the parent company

The loans are measured at amortised cost adjusted for the effect of fair value hedging

(Amounts in NOK million)

Maturity date	2015	2016	2017	2018	2019– Thereafter	Total
Fixed rate loans						
Certificate issues						
Bond issues	552	598	2 045	-	12 982	16 177
Total fixed rate loans	552	598	2 045	-	12 982	16 177
Floating rate loans						
Other interest-bearing debt*	2 084	13	-	-	232	2 329
Bond issues	-	-	-	-	891	891
Loans from financial institutions	92	92	92	158	5 031	5 465
Total floating rate loans	2 176	105	92	158	6 154	8 685
Total short-term debt	2 728					2 728
Total long-term debt		703	2 137	158	19 136	22 134
Total interest-bearing debt	2 728	703	2 137	158	19 136	24 862

* Statnett SF intra-group loans of NOK 223 million, payable on demand. In the balance sheet for Group these loans are eliminated.

Maturity of fixed interest of the loan portfolio	2015	2016	2017	2018	2019– Thereafter	Sum
(Amounts in NOK million)	20 777	598	-	-	3 487	24 862

Loans by currency as at 31 Dec. 2014

(Amounts in NOK million)

Information about interest-bearing debt	Average interest rate ¹⁾	Loans in currency	Loans in NOK
Currency			
NOK	2,83 %	13 387	13 387
JPY	1,69 %	4 000	273
CHF	1,74 %	400	3 328
SEK	1,80 %	200	191
USD	2,64 %	720	5 330
EUR	2,24 %	70	703
EUR*	**	183	1 650
Total			24 862

¹⁾ All loans in foreign currency are converted into NOK using cross currency interest swap agreements. The average interest rate for the loans includes interest swap agreements. The average interest rate is the average rate as at 31 Dec. 2014.

* Amounts in EUR are linked to collateral under CSA (Credit Support Annex) agreements, which reflect higher/lower value of derivatives.

** EONIA overnight - daily interest rates announced by the European Banking Federation (EBF)

Market-based securities

Parent company			Group	
Acquisition cost	Book value	(Amounts in NOK million)	Acquisition cost	Book value
572	571	Government	572	571
134	137	Municipality/municipal operations	155	160
76	77	Financial institutions, including banks	334	338
210	211	Private/industry	221	222
992	996	Total bonds	1 282	1 291
-	-	Norwegian equity funds	18	25
-	-	Foreign equity funds	18	29
-	-	Total equity funds	36	54
992	996	Total market-based securities	1 318	1 345

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

Unrealised interest gain/losses changed from NOK 0 million to NOK 4 during the period.
Which resulted in a loss of NOK 4 million, recognised in Other financial income.

Age distribution trade receivable

(Amounts in NOK million)

	Not due	1-30 days	31-60 days	61-90 days	Over 90 days	Total trade acc. rcvb.
Parent company	160	8	-	-	15	183
Group	161	12	-	-	15	188

NOTE 13 DERIVATIVES

Derivatives are used in risk management to hedge risks related to interest and currency. The fair value of the derivatives fluctuates with underlying prices, and the footnote presents fair value at the balance sheet date.

Interest rate and currency swaps

These are agreements where the contracting parties exchange currency and/or interest rate terms for an agreed amount over a defined future period. All interest rate and currency swaps are related to underlying loans. Any loss/gain on the swap will therefore correspond to the gain/loss on the loan.

(Amounts in NOK million)

Maturity	Principal lending	Principal borrowing	Market- value* 2013	Cash flow 2014	Market- value* 2014	Change in value***	Intr. Rate terms Statnett receives	Intr. Rate terms Statnett pays
Free-standing derivatives**								
2015	NOK 200	NOK 200	9	6	3	-	Fixed	Nibor 6 months
2015	NOK 200	NOK 200	-6	-4	-2	-	Nibor 6 months	Fixed
2019	NOK 350	NOK 350	-1	-	-1	-	Nibor 3 months	Nibor 6 months
2019	NOK 350	NOK 350	-1	-	-1	-	Nibor month	Nibor 6 months
Total			1	2	-1	-		
Derivatives, cash flow hedges								
2016	NOK 400	NOK 400	-16	-8	-12	-4	Nibor 6 months	Fixed
2021	NOK 400	NOK 400	-7	-6	-45	-44	Nibor 6 months	Fixed
2021	NOK 500	NOK 500	-9	-7	-57	-56	Nibor 6 months	Fixed
2021	NOK 400	NOK 400	-8	-6	-46	-45	Nibor 6 months	Fixed
2022	NOK 393	NOK 393	-40	-11	-82	-52	Nibor 6 months	Fixed
Total			-80	-38	-242	-201		

(Amounts in NOK million)

Fair value hedging****

Maturity	Principal lending	Principal borrowing	Market value* 2013	Market value* 2014	Intr. rate terms Statnett receives	Intr. Rate terms Statnett pays
2015	NOK 50	NOK 50	2	1	Fixed	Nibor 6 months
2017	CHF 250	NOK 1290	576	755	Fixed CHF	Nibor 6 months
2019	JPY 4000	NOK 201	49	72	Fixed JPY	Nibor 6 months
2019	NOK 150	NOK 150	-2	7	Fixed	Nibor 6 months
2019	NOK 150	NOK 150	-2	7	Fixed	Nibor 6 months
2020	NOK 300	NOK 300	43	59	Fixed	Nibor 6 months
2020	NOK 60	NOK 60	4	8	Fixed	Nibor 6 months
2021	CHF 150	NOK 923	8	359	Fixed CHF	Nibor 6 months
2021	SEK 200	NOK 180	180	11	SEK Stibor 3 months	Nibor 6 months
2023	NOK 600	NOK 600	78	149	Fixed	Nibor 6 months
2024	USD 100	NOK 603	-45	150	Fixed USD	Nibor 6 months
2025	NOK 600	NOK 600	83	171	Fixed	Nibor 6 months
2026	EUR 70	NOK 532	17	171	Fixed EUR	Nibor 6 months
2027	NOK 1000	NOK 1000	14	177	Fixed	Nibor 6 months
2028	USD 80	NOK 457	-39	129	Fixed USD	Nibor 6 months
2028	USD 80	NOK 464	-45	130	Fixed USD	Nibor 6 months
2029	USD 15	NOK 87	-9	25	Fixed USD	Nibor 6 months
2029	NOK 500	NOK 500	-	63	Fixed	Nibor 6 months
2032	USD 160	NOK 928	-117	271	Fixed	Nibor 6 months
2033	USD 220	NOK 1256	-169	358	Fixed USD	Nibor 6 months
2043	USD 30	NOK 171	-34	49	Fixed USD	Nibor 6 months
2043	USD 35	NOK 203	-37	63	Fixed USD	Nibor 6 months
Total			555	3 185		

* Accrued interest is not included in the market value. In the case of combined interest rate and currency swaps, the unrealised currency effect is included in the market value.

** Free-standing derivatives of NOK 1.100 million are related to underlying loans, but hedge accounting is not applied.

*** Changes in market value includes cash flow for 2014.

**** Changes in value in fair value hedges have no effect on the result.

Forward exchange options:

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

Currency

(Amounts in NOK million)

	Nominal amount in currency	Nominal amount in NOK	Average hedge rate	Market rate*	Market value
SEK	163	151	0,93	0,96	5
EUR	108	919	8,50	9,11	67
Total forward exchange contracts		1 070			72

*Average forward rate

Fair value measurement

Foreign exchange forward contracts are measured at fair value based on observable forward rates on contracts with comparable terms on the balance sheet date. Fair value for interest and currency swap contracts is the present value of future cash flows based on observable market rates and foreign currency rates at the balance sheet date.

The derivatives relates to hedge relationships as follows:

Cashflow hedges

Statnett enters cashflow hedges to hedge interest rate risk on loans with floating interest. The interest rate risk is hedged using interest rate swaps where Statnett receives floating rate and pays a fixed rate. All derivatives defined as hedging instruments in cashflow hedges are booked at fair value in the balance sheet, while changes in fair value are temporarily through equity over OCI - other income and expenses. When the cashflow is due, prior periods fair value changes related to the hedging instruments are removed from equity to ensure that the hedging instrument and the hedged items affects the result in the same period.

Fair value hedges

Statnett enters fair value hedges to hedge interest rate risk on fixed rate loans and foreign currency risk on interest bearing debt in foreign currency. Most of Statnett's debenture bond are fixed rate bonds. The interest rate risk is hedged with interest rate swaps where Statnett receives fixed rates and have payments in floating rate. Underlying loans are booked at amortised cost. Fair value hedges through foreign exchange forward contracts are also used to hedge currency risk related to investment contracts. Unrealised gains / losses on the forward contracts are included in plants under construction.

Free standing derivatives

Statnett also holds derivatives that does not qualify for hedge accounting under IFRS. However all derivatives are related to entered contracts. Changes in fair value for these derivatives are recorded periodically in the income statement.

NOTE 14 FINANCIAL RISK MANAGEMENT

Financial risk

The object of Statnett SF's financial policy is to ensure that the enterprise achieves the necessary financing of planned operational and investment programmes at the lowest possible cost, risk included. Statnett SF's financial policy also comprises aims and frameworks for minimising the enterprise's credit, interest rate and foreign exchange risks. Statnett SF uses financial derivatives to manage the financial risk.

Capital management

The enterprise has liabilities and equity as specific in the balance sheet. The loan agreements do not impose any capital requirements on the enterprise which are expected to restrict the capital structure of the enterprise. Nor are there any explicit equity requirements other than those stipulated in applicable laws and regulations. The main objective of Statnett's capital management structure is to ensure that the enterprise has a sound financial position, which enables the enterprise to operate and develop the main grid in a socio-economically profitable manner in line with plans and the owner's expectations. It is a priority with the Statnett Board of Directors to maintain a robust A rating or better, and in January

2014 the owner increased its equity contribution. The owner has changed the dividend policy for the fiscal years 2013-2016 in line with the request for equity to zero dividend for 2013, and subsequently to 25 percent of the Group's net profit for the year, adjusted for the changed balance for higher/lower revenues after tax. Moreover, the capital structure is managed by raising and paying off short-term and long-term debt, as well as through changes in liquid assets. There have been no changes to capital management guidelines or objectives in 2013.

Overview of capital included in capital structure management:

Parent company			Group	
2013	2014	(Amounts in NOK million)	2014	2013
17 441	22 134	Long-term interest-bearing liabilities	22 138	17 441
3 160	2 728	Short-term interest-bearing liabilities	2 505	2 468
1 184	3 854	Liquid assets and investment in market-based securities	4 364	1 610
19 417	21 008	Net liabilities	20 279	18 299

Liquidity risk

Statnett SF aims to be able to carry out 12 months of operations, investments and refinancing without raising any new debt. This will make Statnett less vulnerable during periods of low access to capital in the financial markets and periods with unfavourable borrowing conditions.

Statnett reduces liquidity risk related to maturity of financial liabilities by having an evenly distributed maturity structure, access to several sources of financing in Norway and abroad, as well as sufficient liquidity to cover scheduled operations, investment and financing needs without incurring any new debt within a time horizon of 12 months. The liquidity comprises of existing cash and cash equivalents (bank/time deposits, certificates and bonds) and a credit facility of NOK 3.5 billion running until January 2018. In spring 2014, Statnett is planning to enter into agreements which will increase the enterprise's credit facility to NOK 6.5 billion. As of 26 March 2015, the credit facility had not been utilised. Liquidity is followed up continuously with weekly reporting.

Statnett SF has a high credit rating. Standard & Poor's og Moody's Investor Service have given Statnett SF credit ratings for long-term borrowings of A+ and A2 respectively. The high credit ratings provides Statnett SF good borrowing opportunities.

The table below shows all gross cash flows related to financial liabilities. The cash flows have not been discounted and are based on interest rates and exchange rates at 31 Dec. 2014.

(Amounts in mill. NOK)

Parent company

As at 31 Dec. 2014	Under 1 year	1 to 3 years	3 to 6 years	6 to 10 years	10 years+	Total
Interest-bearing debt and interest payments	3 393	3 912	4 247	6 858	12 417	30 827
Other liabilities	-	204	236	-	40	480
Trade acc.payable and other short-term debt	1 738	-	-	-	-	1 738
Derivatives	1 844	2 288	1 095	1 000	5 033	11 260
Total	6 975	6 404	5 578	7 858	17 490	44 305

Derivatives

Received	2 051	3 203	1 534	1 525	6 860	15 173
Disbursed	-1 844	-2 288	-1 095	-1 000	-5 033	-11 260
Net derivatives	207	915	439	525	1 827	3 913

(Amounts in mill. NOK)

Group

As at 31 Dec. 2014	Under 1 year	1 to 3 years	3 to 6 years	6 to 10 years	10 years+	Total
Interest-bearing debt and interest payments	3 165	3 912	4 247	6 858	12 417	30 599
Other liabilities	-	204	236	-	40	480
Trade acc.payable and other short-term debt	1 763	-	-	-	-	1 763
Derivatives	1 844	2 288	1 095	1 000	5 033	11 260
Total	6 772	6 404	5 578	7 858	17 490	44 102

Derivatives

Received	2 051	3 203	1 534	1 525	6 860	15 173
Disbursed	-1 844	-2 288	-1 095	-1 000	-5 033	-11 260
Net derivatives	207	915	439	525	1 827	3 913

Credit risk

Statnett SF is exposed to credit risk through the investment of surplus liquidity with issuers of securities and through the use of various interest rate and currency derivatives. In order to limit this risk, Statnett has set credit limits based on the creditworthiness of counterparties and the maximum exposure for each counterparty. Creditworthiness is assessed at least once a year, and the counterparty risk is continuously monitored to ensure that Statnett's exposure does not exceed the set credit limits and complies with internal rules.

Maximum credit exposure

Parent company			Group	
2013	2014	(Amounts in NOK million)	2014	2013
873	2 858	Liquid assets, excl. time deposits	3 019	970
311	996	Bonds and certificates	1 291	583
1 115	3 260	Derivatives	3 260	1 115
139	183	Long-term receivables, excl. derivatives	44	-
1 070	540	Trade accounts and other short-term receivables, excl. derivatives	415	1 040
3 508	7 837	Total maximum credit exposure	8 029	3 708

Foreign exchange risk

Foreign exchange risk is the risk of fluctuations in foreign exchange rates that will result in changes in Statnett's income statement and balance sheet. The liabilities undertaken by Statnett in foreign currencies in connection with investment projects are mainly hedged using currency swaps. All loans in foreign currency are converted into NOK using cross currency interest swap agreements. As at 31 Dec. 2014, the foreign exchange reserves not swapped or reserved for future obligations totalled NOK 85 million for the parent company and NOK 87 million for the Group. The reserves mainly consist of bank deposits. In addition, foreign equity funds and shares totalled NOK 29 million for the Group.

Interest rate risk

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

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

Average effective interest rate

The table below shows the average effective interest rate for the individual financial instruments for the full years 2013 and 2014. Statnett has had lower interest yield on deposits as a result of lower short-term interest rates.

Parent company			Group	
2013	2014		2014	2013
2,77 %	2,30 %	Bonds and certificates	3,02 %	2,97 %
2,02 %	1,81 %	Deposits	1,81 %	2,03 %
-	-	Shares and equity funds	16,76 %	28,20 %
2,91 %	2,83 %	Loans	2,83 %	2,91 %

Sensitivity analysis

Interest rate sensitivity

The following table shows the sensitivity of the parent company and the Group to potential changes in the interest rate. The calculation takes into account all interest-bearing instruments and associated interest rate derivatives. It shows the effect on the result of a change in the interest rate levels as at 31 December 2014.

Effect on result Parent company (Amounts in NOK million)		Change in interest rate level %	Effect on result Group (Amounts in NOK million)	
2013	2014		2014	2013
-7	-8	+1	-14	-12
7	8	-1	14	12

Exchange rate sensitivity

Parent company (Amounts in NOK million)		Change in NOK exchange rate %	Group (Amounts in NOK million)	
2013	2014		2014	2013
-3	-4	+5	-6	-4
3	4	-5	6	-4

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

NOTE 15 TAXES

Tax on result

Parent company			Group	
2013	2014	(Amounts in NOK million)	2014	2013
-	16	Tax payable	36	25
18	272	Change in deferred tax/tax benefit	256	3
-16	-1	Change in tax rates	-1	-21
2	287	Tax	291	7

Reconciliation of effective tax rate with Norwegian tax rate

Parent company			Group	
2013	2014	(Amounts in NOK million)	2014	2013
14	1 097	Profit before tax	1 120	89
4	296	27 % (28 %) tax	303	25
9	-12	Permanent differences 27 % (28 %)	-12	2
5	4	Share of profit/loss in associates	1	1
-16	-1	Effect of change in tax rates*	-1	-21
2	287	Tax	291	7
14 %	26 %	Effective tax rate	26 %	8 %

* As of the fiscal year 2014, the tax rate for ordinary income in Norway has been reduced to 27%. Assets and liabilities in connection with deferred tax have been valued as of 31 December 2013 using the new tax rate. The effect on the tax expense for 2013 was NOK 16 million in Statnett SF and NOK 21 million in the Group. The effect on the tax expense for 2014 was NOK 1 million related to group contribution accrued in 2013, but paid in 2014 from Nydalen Bygg C AS to Statnett SF reducing the tax loss carryforward in 2014.

Tax payable in the balance sheet

Parent company			Group	
31.12.13	31.12.14	(Amounts in NOK million)	31.12.14	31.12.13
-	16	Tax payable for the year	36	25
-	-	Tax payable on group contribution	-	-25
-	16	Tax payable balance sheet	36	-

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

Parent company			Group	
31.12.13	31.12.14	(Amounts in NOK million)	31.12.14	31.12.13
-	-	Other intangible assets	-3	-3
-768	-1 036	Fixed assets	-1 074	-809
57	69	Profit and loss account	36	15
-19	-	Receivables	26	-
-	-	Technical provisions insurance	-65	-64
131	234	Pensions	235	131
-20	-27	Securities and financial instruments (excl. cash flow hedges)	-28	-21
23	65	Cash flow hedges	65	23
70	132	Other tax-related provisions	126	64
24	-	Tax effect of Group contribution	-	24
82	-	Tax loss carried forward	-	83
-420	-563	Total deferred tax(-)/tax assets (net)	-682	-557

Changes in temporary differences

(Amounts in NOK million)

Parent Company	31.12.13	Recognised	Other comprehensive income	Group contribution	31.12.14
Fixed assets	2 843	996	-	-	3 839
Profit and loss account	-211	-44	-	-	-255
Receivables	71	-69	-	-	2
Pensions	-485	25	-407	-	-867
Securities and financial instruments (excl. cash flow hedges)	74	26	-	-	100
Cash flow hedges	-84	-	-158	-	-242
Other provisions	-261	-229	-	-	-490
Group contribution	-89	-	-	89	-
Tax loss carried forward	-303	303	-	-	-
Total	1 555	1008	-565	89	2 087

(Amounts in NOK million)

Group	31.12.13	Recognised	Other comprehensive income	Group contribution	31.12.14
Other intangible assets	13	-3	-	-	10
Fixed assets	2 995	986	-	-	3 981
Profit and loss account	-55	-77	-	-	-132
Receivables	-1	-94	-	-	-95
Technical provisions insurance	236	6	-	-	242
Pensions	-487	25	-407	-	-869
Securities and financial instruments (excl. cash flow hedges)	78	27	-	-	105
Cash flow hedges	-84	-	-158	-	-242
Other provisions	-237	-229	-	-	-466
Tax loss carried forward**	-397	305	-	89	-3
Total	2 061	946	-565	89	2 531

** In 2013 a group contribution of NOK 89 million was disbursed from Nydalen Bygg C AS to Statnett SF, reducing the tax loss carried forward in Statnett SF.

NOTE 16 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Statnett SF had the following investments at 31 December 2014:

Company

Per 31.12.2014	Business nature	Year of acquisition	Registered office	Ownership interest	Voting rights	Book value (Amounts in NOK thousand)
Subsidiaries						
Statnett Transport AS	Transport and shipping	1996	Drammen	100 %	100 %	108 021
Statnett Forsikring AS	Insurance	1998	Oslo	100 %	100 %	30 200
Nord Link Norge AS	Limited activity	2010	Oslo	100 %	100 %	500
Noreveien 26 AS	Real estate	2010	Oslo	100 %	100 %	114
NorGer AS	General partner	2010/2011	Oslo	100 %	100 %	29 947
NorGer KS	Limited activity	2010/2011	Oslo	100 %	100 %	147 959
Nydalshøyden Bygg C AS	Real estate	2013	Oslo	100 %	100 %	26 746
Lyse Sentralnett AS	Build and operate national transmission grid	2014	Sandnes	50 %	100 %	72 978
Total subsidiaries						416 465
Associates						
Nord Pool Spot AS	Marketplace	2002/2008	Bærum	28,2 %	28,2 %	36 320
eSett OY	Commissioner	2013	Finland	33,3 %	33,3 %	16 891
KraftCERT AS	IT security	2014	Norge	33,3 %	33,3 %	1 667
Total associates						54 878
Total subsidiaries and associates						471 343

Group value of companies recorded according to the equity method

(Amounts in NOK thousand)

	Group value at 1 Jan.	Result for the year	Dividend	Group value at 31 Dec.
2014				
Nord Pool Spot AS, 28,2 %	63 758	13 246	-4 154	72 850
eSett OY	16 891	-2 382	-	14 509
KraftCERT AS*	-	-	-	1 667
Total associates	80 649	10 864	-4 154	89 026
2013				
Nord Pool Spot AS, 28,2 %	54 097	13 308	-3 647	63 758
eSett OY	-	-	-	16 891
Total associates	54 097	13 308	-3 647	80 649

* KraftCERT was established in October 2014.

Purchase of subsidiary

On 3 February 2014, Statnett SF purchased 50 percent of the shares in Lyse Sentralnett AS. After the purchase, Statnett SF has acquired 100 percent of the voting rights in the company.

Following this acquisition, Statnett SF has achieved control of Lyse Sentralnett AS, and the company has therefore been included using the acquisition method in accordance with IFRS 3R.

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

Statnett has an option to acquire another 25 percent of Lyse Sentralnett AS once a licence has been granted for Lysebotn-Støleheia and the remaining 25 percent upon completion of the power line. At the same time, Lyse Elnett AS has the right to request that Statnett assume another 25 percent of Lyse Sentralnett AS after a licence has been granted for the Lyse-Støleheia power line, and the remaining 25 percent upon completion.

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

(amounts in NOK million)

Account items	Fair value on the acquisition date
ASSETS	
Fixed assets	
Deferred tax assets	1
Tangible fixed assets	104
Plants under construction	33
Total fixed assets	138
Current assets	
Trade accounts and other short-term receivables	15
Liquid assets	33
Total current assets	48
Total assets	186
LIABILITIES	
Current liabilities	
Trade accounts payable and other short-term debt	38
Tax payable	1
Total current liabilities	39
Total liabilities	39
Total fair value	147
Non-controlling interest	74
Agreed purchase price	73

Operating revenues and profit for the period in Lyse Sentralnett AS:

<i>(amounts in NOK million)</i>	2014	In the period after acquisi- tion*
Operating revenue	40	37
Profit for the period	7	6

* 3 February - 31 March 2014

NOTE 17 JOINT OPERATIONS

When constructing subsea cables to transport energy to foreign countries the group has entered into agreements to construct and operate together with system operators in Netherlands, Denmark, Germany and England. These arrangements are regarded as joint operations under IFRS.

Oversea cables in operation

TenneT TSO BV and Statnett SF have constructed a subsea cable to transport energy between Norway and the Netherlands, known as the NorNed cable. Each party owns its physical half of the cable, with Statnett owning the northern part and TenneT the southern part. The NorNed cable became operational in May 2008. Costs and revenues from the operation of the NorNed cable are shared equally between TenneT and Statnett.

Statnett SF owns Skagerrak cables 1-3 whereas the Danish system operator Energinet.dk holds a long-term lease agreement for half of the cable capacity. Income from the lease is included in "Other operating revenue". In the end of December 2014, the Skagerrak Cable 4 became operational. Statnett and Energinet.dk each own its physical half of the cable, with Statnett owning the northern part and Energinet the southern part. Operating costs and revenues related to the operation of the Skagerrak cables are shared equally between Energinet.dk and Statnett.

Statnett's assets in the cables is included in the asset group "Land- and subsea cables" in note related to fixed assets and intangible assets.

Planned oversea cables

Statnett signed in autumn 2012 a cooperation agreement with the German companies TenneT and KfW in order to realize an HVDC interconnector between Norway (Tonstad) and Germany (Wilster). The project's name is NordLink. NordLink has a transmission capacity of 1400 MW. The interconnector consists of 53 km overhead line on the Norwegian side, a 514 km submarine cable and a 55 km land cable on the German side. The ownership is planned to be shared, where Statnett will own the Northern part through the wholly-owned subsidiary NordLink Norge AS and TenneT and KfW will own the Southern part through a jointly owned German company. Operating costs and trading revenue are to be shared equally between Germany and Norway. Trading and technical licenses were given for the cable in October 2014.

National Grid NSN Link Ltd (NLL) and Statnett plan to realize an HVDC interconnector between Kviteseid in Norway and Blyth in North-East England, referred to as NSN. The transmission capacity will be 1400 MW. Each party will hold 50% of the interconnector, with Statnett as the owner of the Eastern part and NLL the Western part. All costs and trading revenues shall be shared equally between the partners. Technical license was already in place when the trade license was granted in October 2014.

NOTE 18 RELATED PARTIES

As at 31 December 2014, Statnett SF was wholly-owned by the Norwegian State through the Ministry of Petroleum and Energy (MPE). Statnett has the following relations with MPE both as owner and regulatory authority:

Regulatory authority

The Norwegian parliament (Storting) is the legislative authority that passes legislation based on bills put forward by the government. Regulations are adopted by the King in Council. The MPE administers its areas of responsibilities and delegates the administration of the greater part of the Energy Act to the Norwegian Water Resources and Energy Directorate (NVE). Pursuant to the Norwegian Public Administration Act, any administrative decision made by the NVE can be appealed to the MPE as the superior authority.

Other related parties:

Parent company	Subsidiary	Associate
Statnett SF	Statnett Transport AS	Nord Pool Spot AS
	Statnett Forsikring AS	eSett OY
	Nydalshøyden Bygg C AS	KraftCERT AS
	Noreveien 26 AS	
	NordLink Norge AS	
	NorGer KS	
	NorGer AS	
	Lyse Sentralnett AS	

The subsidiaries are all wholly-owned by Statnett SF, though so that Statnett owns 100 percent of the shares in NorGer AS and 90 percent of the shares in NorGer KS. In addition, NorGer AS owns 10 percent of the shares in NorGer KS. This entails that Statnett SF, including indirect ownership, also controls 100 percent of the shares in NorGer KS. Statnett SF has an ownership in Lyse Sentralnett AS of 50 percent, but is considered to have control through 100 percent of the voting rights.

Statnett SF has an ownership interest in Nord Pool Spot AS of 28.2 percent. The ownership interest was reduced from 28,8 percent following a private placement in August 2013. Statnett SF has an ownership of 33,3 percent in eSett OY and of 33,3 percent in KraftCERT AS incorporated in November 2014.

Related party transaction

Statnett SF and its subsidiaries have entered into loan agreements and agreements relating to the purchase and sale of services. All transactions are made as part of the normal commercial operations and at current market prices. The most important transactions were:

Statnett Forsikring AS is licensed to provide cover for risks associated with companies in the Statnett Group, and operates both as a direct personal insurance company and a non-life insurance company. The company is also a reinsurer of Statnett's risks covered by other insurers.

Statnett Transport AS operates a heavy transport business on land and sea and supplies transport services to Statnett SF, including preparedness services relating to cables. These services are valued by an external party.

Statnett SF purchases transmission losses on Nord Pool Spot AS on a daily basis. The purchase and sale of energy is settled at the power exchange's market prices.

Statnett SF performs administrative services for its subsidiaries. Agreements have been entered into which specify these services, and they are priced at market terms.

Statnett SF perform project services for Lyse Sentralnett AS. Agreements have been entered into which specify these services, and they are priced at market terms.

In 2014, Statnett SF received dividends totalling NOK 200 million from subsidiaries and associates, where as NOK 186 million is reduced the net booked value of the shares on subsidiaries.

Statnett SF has in 2013 purchased Nydalen Allè 33 from Nydals høyden Bygg C AS. The purchase price was valued by an external part.

Statnett SF inter-company accounts

(Amounts in NOK million)

	Trade accounts		Lending		Borrowing		Trade acc. Payable	
	2014	2013	2014	2013	2014	2013	2014	2013
Subsidiaries	22	1	135	139	223	693	24	34

Interest rates

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

Statnett SF's intra-group trading

(Amounts in NOK million)

	Sales revenues		Operating costs		Financial revenues	
	2014	2013	2014	2013	2014	2013
Subsidiaries	39	4	155	166	4	5

(Amounts in NOK million)

	Purchase land and building		Financial costs	
	2014	2013	2014	2013
Subsidiaries	-	744	13	7

(Amounts in NOK million)

	Group Contribution received		Dividend received *	
	2014	2013	2014	2013
Subsidiaries	89	-	196	-

(Amounts in NOK million)

	Income from other owners in the main grids	
	2014	2013
Subsidiaries	34	-

* Includes dividend received from Nydals høyden Bygg C AS of 185 NOK million. The dividend has reduced net book value of the investment in subsidiaries, as the dividend concerned earnings prior to Statnett's purchase of the shares in the company.

NOTE 19 REMUNERATION/BENEFITS TO THE GROUP MANAGEMENT

The statement concerning remuneration to the President and CEO and the Group management has been prepared in accordance with the provisions in the Public Limited Liability Companies Act, the Norwegian Accounting Act, the Norwegian Code of Practice for Corporate Governance and the Guidelines relating to state-owned companies, which include an approach to executive pay, as well as the Norwegian Ministry of Petroleum and Energy's compliance expectations stipulated in its letter of 29 November 2011.

The Board of Directors has established a remuneration committee, consisting of two owner-appointed board members and one employee representative. Unless otherwise agreed, the Senior Vice President Employer Relations will act as committee secretary. The remuneration committee is an advisory and preparatory body for the Board of Directors, and will put forward proposals for salary adjustments in accordance with the guidelines specified below.

In addition to a fixed salary the Group management is entitled to a company car and pension benefits. There is no bonus scheme for senior employees. The retirement age for the President and CEO and the Group senior management is 65. The President and CEO is entitled to 12 months' severance pay in the event of dismissal from the company. No other senior employees have agreements for salaries after the termination of employment.

The Group's guiding principle for 2013 and 2014 has been to keep remuneration and other benefits for the Group management at a competitive level to ensure that the Group attracts and retains high-quality senior executives. The fixed salary does not need to be at the top of the pay scale. However, it must be competitive for our industry and compared to other companies recruiting in the same market as Statnett SF. At the same time, the salary must reflect individual experience, area of responsibility and achieved results.

The Board of Directors approves the annual salary adjustment for the company's president/CEO, and adopts a framework which the president/CEO uses to adjust the salaries for the rest of the Group management team.

The Board of Directors is aware of that the Ministry of Trade, Industry and Fisheries has issued "Guidelines for salary and other remuneration for group management in enterprises and companies with state ownership", taking effect from 13 February, 2015. The Board of Directors will evaluate the need for changes in Statnett's guidelines for group management remuneration/benefits for the year 2015.

(Amounts in NOK)

Group management remuneration/benefits		Board remuneration	
		2014	2013
Board of Directors			
Kolbjørn Almlid	Chair	392 000	377 520
Per Hjorth	Vice Chair	318 000	308 560
Kirsten Indgjerd Værdal	Board member	219 000	210 720
Egil R Gjesteland	Board member	269 000	260 720
Maria Sandsmark	Board member	249 000	240 720
Synne Larsen Homble	Board member	211 500	100 360
Heidi Ekrem (until June 2013)	Board member	-	102 860
Steinar Jøråndstad	Board member *	249 000	240 720
Pål Erland Opgård	Board member *	254 000	245 720
Kjerstin Bakke (until June 2014)	Board member *	104 500	200 720
Trine Pande-Rølfesen (from June 2014)	Board member *	104 500	-
Total remuneration		2 370 500	2 288 620

All figures are exclusive of employer's NICs. Deputy board members and observers do not receive remuneration. Some board members receive compensation for their participation in the audit committee, remuneration committee or project committee. Board remunerations may therefore vary.

*) In the case of employee representatives, only board members' fees are stated.

(Amounts in NOK)

Remuneration/benefits to the Group management/board 2014		Salary	Other remuneration*	Pension cost	Total remuneration
Group management					
President and CEO					
Auke Lont		2 742 276	188 227	2 283 475	5 213 978
Executive Vice Presidents					
Håkon Borgen	Technology and development	1 866 374	167 289	557 700	2 591 363
Øivind Kristian Rue	Market and Operations	2 025 795	155 075	973 507	3 154 377
Bente Monica Haaland	Strategy and Communications	1 569 478	138 372	509 466	2 217 316
Knut Hundhammer	Corporate Staff, CFO	2 140 569	102 288	647 340	2 890 197
Peer Olav Østli	ICT	1 692 342	152 550	728 384	2 573 276
Elisabeth Vike Vardheim	Constructions	1 770 289	147 159	519 479	2 436 927
Total remuneration		13 807 123	1 050 960	6 219 351	21 077 434

All figures are exclusive of employer's NICs.

(Amounts in NOK)

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

All figures are exclusive of employer's NICs.

* Included value of company car, phone, news papers and personal insurance

Terms and conditions, senior executives

Title/name	Terms and conditions for retirement age/early retirement pension/retirement pension
President and CEO Auke Lont	<p>From the age of 65, the full annual retirement pension is 66 percent of the pension base, i.e. of the fixed, normal annual salary at retirement. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, the annual retirement pension of 66 percent will be co-ordinated with the retirement pension disbursed from Statnett SF's Group Pension Fund and the Norwegian National Insurance Scheme.</p> <p>Upon death, any surviving spouse and children under the age of 21 will receive a pension.</p> <p>Should the President become disabled before the age of 65, he or she will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension disbursement will be reduced according to disability.</p>
Executive vice presidents Håkon Borgen Bente Hagem Øivind Kristian Rue	<p>The retirement age is 65, but with the right to retire with an early retirement pension at any time after the age of 62. In the event of retirement between 62 and 65 an annual payment of 66 percent of the pension base will be disbursed. The pension base is the fixed, normal annual salary at retirement. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. In the event that income is received from others and this, together with the early retirement pension disbursed by Statnett, exceeds the final salary the early retirement pension will be reduced by 50 percent of the amount that exceeds the final salary.</p> <p>From the age of 65, the full annual retirement pension is 66 percent of the pension base, i.e. of the fixed, normal annual salary retirement. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, the annual retirement pension will be coordinated with the retirement pension disbursed from Statnett SF's Pension Fund and the Norwegian National Insurance Scheme.</p> <p>Upon death, any surviving spouse and children under the age of 21 will receive a pension.</p> <p>The above persons' entitlements to pension benefits over and above paid-up policies from Statnett SF's Group Pension Fund from the age of 62 will lapse if they are no longer employed by Statnett SF on their 62nd birthday.</p> <p>Should any of the above persons become disabled before reaching the age of 65, he or she will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension disbursement will be reduced according to disability.</p>
Executive vice presidents Gunnar G Lovås Peer Olav Østli	<p>The retirement age is 65, with the right to retire with an early retirement pension at any time after 62. The full contribution period is 30 years. In the event of retirement between ages 62 and 65, an annual payment shall be disbursed of 66 percent of the pension base, less one percentage point for each year between 62 and 65. The pension base is the fixed, normal annual salary at retirement. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. Pension disbursement may be reduced if the member receives any salary, pension or remuneration from other companies in the Statnett Group.</p> <p>From the age of 65, the full annual retirement is 66 percent of the pension base. The pension base is the fixed, normal annual salary at retirement. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, the annual retirement pension is covered through the National Insurance Scheme and Statnett's group pension scheme, plus 66 percent of the part of the pension base that exceeds 12 times the basic amount, provided that there is a full contribution period (30 years).</p> <p>Upon death, any children under the age of 21 will receive a children's pension.</p> <p>If the member leaves the company before retirement age, a pension rights certificate will be issued, which will secure retirement pension benefits from age 65. The pension rights certificate will be adjusted by 75 percent of the increase in the basic amount for each year until retirement.</p> <p>Should any of the above persons become disabled before reaching the age of 65, he or she will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 67, based on the pension base at the time the disability occurred. The disability pension will be reduced according to disability.</p>

Title/name	Terms and conditions for retirement age/early retirement pension/retirement pension
Executive vice president: Knut Hundhammer Bente Monica Haaland Elisabeth Vike Vardheim	The retirement age for executive positions is 65. A pension agreement has been entered into in addition to the ordinary membership in the enterprise's group pension scheme. The pension is secured through the accrued savings balance, including interest, disbursed to Hundhammer as taxable income. Statnett holds the rights to the Guarantee Account up to the moment of disbursement. The guarantee account will be disbursed to Statnett SF at retirement at the latest. The guarantee account, including interest, is used to finance the benefits which will be disbursed to Hundhammer at retirement. The pension base is the permanent ordinary salary. Statnett will, each year until retirement or resignation, pay up to 30 percent of the difference between the ordinary salary and 12 times the Norwegian national insurance scheme basic amount to the pension fund scheme. For 2013, payments of NOK 306 480 were made. For subsequent years, this amount will be adjusted with a corresponding salary increase, with a minimum increase corresponding to the increase in G. Upon death, the surviving spouse or spouse equivalent will receive an amount corresponding to the remaining savings balance including interest from Statnett SF. This lump sum will be taxable for the spouse/spouse equivalent.

The normal notice period for resignation is three months, whereas for dismissals the notice period is six months after an employment period of two years.

No loans have been made or security provided for members of the Group Management or Board of Directors.

NOTE 20 EVENTS AFTER THE BALANCE SHEET DATE

We are not aware of any events occurring after the balance sheet date that may be of significance for the evaluation of the financial statements.

NOTE 21 SECURED DEBT AND GUARANTEES

The parent company may not pledge the enterprise's assets or provide other security, apart from providing security to financial institutions in connection with day-to-day banking transactions, and providing the customary security as part of the day-to-day operations.

Statnett has given guarantees to ABN AMRO Bank N.V as security for the banks financing of APX Shipping B.V. On behalf of Statnett SF and TenneT Holding B.V, APX Shipping B.V conducts trading and settlement of the NordNed interconnector on the energy exchange in Norway and the Netherlands. At the end of 2014, the guarantees are limited to 15 million Euro.

NOTE 22 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

From time to time Statnett is involved in minor disputes with landowners, customers and others with regard to the interpretation of signed contracts, statutory obligations, including property tax, discretionary assessments and disagreements related to ordinary operations and building of power lines and cable connections. Disputes of this nature are regarded as part of the Groups regular operations.

Statnett has asset retirement obligations related to several assets. When Statnett acknowledge that the Group has a responsibility or a legal obligation to remove the asset, a provision for the best estimate of costs to be incurred is established. Additional asset retirement obligations may be identified in the future related to recorded assets.

Statnett is of the opinion that resulting liabilities not accounted for, if any, related to ongoing disputes, assets retirement obligations or other legal obligations will not have a material adverse effect on its consolidated results of operations, liquidity or financial position.

NOTE 23 OTHER OPERATING COSTS

Parent company			Group	
2013	2014	(Amounts in NOK million)	2014	2013
93	45	Lease rental payable	51	76
289	304	Contracted personnel/consultants/ purchase of services	281	283
65	67	Insurance	75	84
254	275	Materials and subcontractors	296	267
153	172	Property tax	173	153
97	109	IT costs	109	97
245	245	Miscellaneous	140	161
1 196	1 217	Total other operating costs	1 125	1 121

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

Parent company			Group	
2013	2014	(Amounts in NOK million)	2014	2013
70	21	Buildings	27	53
15	15	Contracted communication	15	15
8	9	Miscellaneous	9	8
93	45	Total lease rental payable	51	76

Operational lease agreements falling due later than one year from balance sheet date

The Group has entered into several minor lease agreements for buildings, communication and other operating equipment relating to ordinary onsite operations and implementation of our projects. The leases vary from a few months to 15 years. Leases are paid and carried to expense in accordance with the terms of each contract.

Auditor's fee

Parent company			Group	
2013	2014	(Amounts in NOK thousand)	2014	2013
808	838	Statutory audit	1 177	997
327	367	Other attestation services	381	327
104	50	Tax-related assistance	50	104
587	120	Other assistance	155	587
1 826	1 375	Total fees (excl. VAT)	1 763	2 015

Auditor's fees are exclusive of VAT.

NOTE 24 COMPARATIVE FIGURES FOR THE STATNETT GROUP

All amounts in the income statement, balance sheet, cash flow and supplementary information are presented showing one year comparative figures.

Below, comparative figures for selected amounts have been cited for four years.

From the statement of comprehensive income

(Amounts i NOK million)

Statnett Group	2014	2013	2012	2011	2010
Permitted revenue	6 054	5 361	4 025	4 296	4 803
Higher/lower revenue for the period	-665	-958	1 065	1 020	2 177
Other operating revenue	174	158	244	181	267
Total operating revenue	5 563	4 561	5 334	5 497	7 247
Operating costs	4 185	4 215	3 901	3 869	3 968
Operating profit/loss	1 378	346	1 433	1 628	3 279
Income from joint ventures and associates	11	10	9	5	11
Net financial items	-269	-267	-280	-276	-232
Profit/loss before tax	1 120	89	1 162	1 357	3 058
Profit/loss for the year	829	82	837	1 000	2 198

Comprehensive income, not including higher/lower revenue

(Amounts i NOK million)

Statnett Group	2014	2013	2012	2011	2010
Permitted revenue	6 054	5 361	4 025	4 296	4 803
Other operating revenue	174	158	244	181	267
Total operating revenue	6 228	5 519	4 269	4 477	5 070
Operating costs	4 185	4 215	3 901	3 869	3 968
Operating profit/loss excl. higher/lower revenue	2 043	1 304	368	608	1 102
Income from joint ventures and associates	11	10	9	5	11
Net financial items	-269	-267	-280	-276	-232
Profit/loss before tax excl. higher/lower revenue	1 785	1 047	97	337	881

From the balance sheet

(Amounts i NOK million)

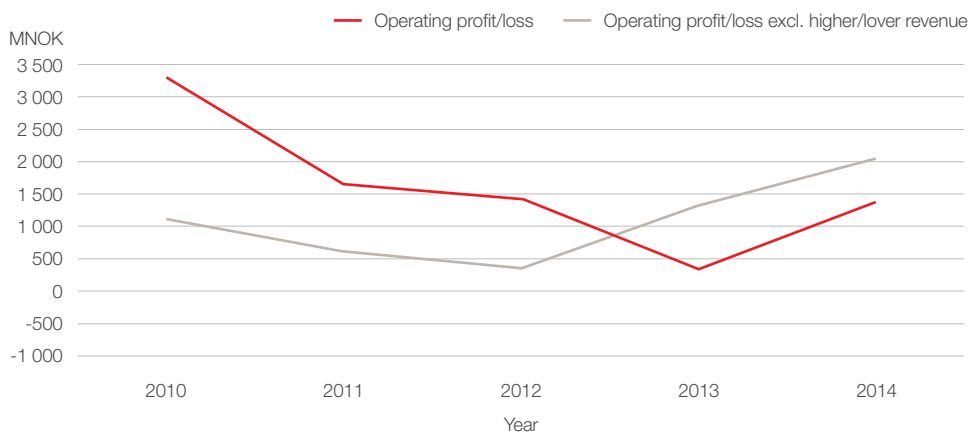
Statnett Group	2014	2013	2012	2011	2010
Fixed assets	36 271	28 957	23 516	21 141	19 479
Current assets	4 836	5 940	2 278	2 740	2 591
Total assets	41 107	34 897	25 794	23 881	22 070
Equity	12 629	12 135	8 852	7 722	7 628
Interest-bearing liabilities	24 643	19 909	14 390	13 276	11 757
Other liability items	3 835	2 853	2 552	2 883	2 685
Total equity and liabilities	41 107	34 897	25 794	23 881	22 070

From cash flow

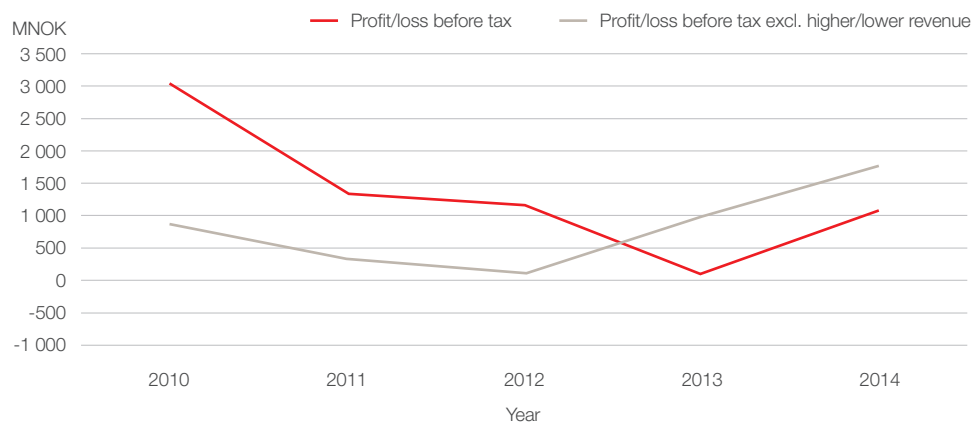
(Amounts i NOK million)

Statnett Group	2014	2013	2012	2011	2010
Net cash flow from operating activities	3 028	1 304	1 426	1 523	3 804
Net cash flow from investing activities	-5 997	-6 197	-3 085	-2 370	-1 740
Net cash flow from financing activities	5 018	5 229	1 291	720	-1 277
Net cash flow for the period	2 049	336	-368	-127	787
Liquid assets	3 019	970	634	1 002	1 129
Dividend for the year to owner	-	117	117	315	132

Operating profit



Profit before tax



Auditors report



Statsautoriserte revisorer
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To the General Meeting of
Statnett SF

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Statnett SF, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2014, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and President and CEO's responsibility for the financial statements

The Board of Directors and President and CEO are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and President and CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.



Opinion

In our opinion, the financial statements of Statnett SF have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and President and CEO have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 26 March 2015
ERNST & YOUNG AS

Tommy Romskaug
State Authorised Public Accountant (Norway)

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



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