SVENSKA KRAFTNÄT
ANNUAL REPORT

JANUARY–DECEMBER 2009:

NET INCOME FOR THE YEAR AMOUNTED TO SEK 375 MILLION

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TRANSMISSION ON THE NATIONAL GRID DECREASED BY 9%

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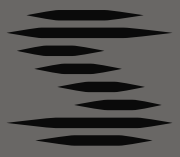
THE INVESTMENT RATE INCREASED BY ALMOST 60% AND AMOUNTED TO 1,527 MILLION



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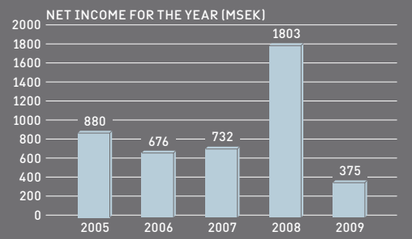
FINANCIAL OVERVIEW

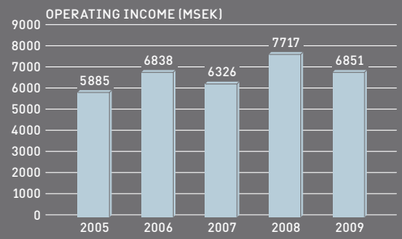
2009 IN BRIEF

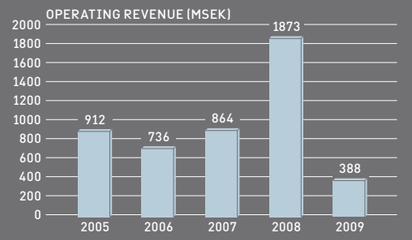
OPERATIONS DURING THE YEAR		2009	2008
Energy supplied	TWh	**104.4**	115.0
RELIABILITY PERFORMANCE			
Number of operational disturbances in the national grid		**153**	157
Number of operational disturbances with interrupted supplies		**16**	9
Non-supplied energy	MWh	**5**	3
FINANCIAL FACTS			
The Group's operating revenue	MSEK	**6,851**	7,717
Consolidated profit	MSEK	**375**	1,803
Return on adjusted equity	%	**4.3**	19.8
Debt/equity ratio	%	**33**	28
Investments	MSEK	**1,527**	963
Balance sheet total	MSEK	**11,654**	11,715

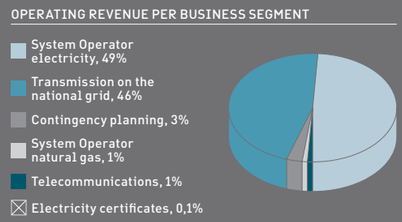
*after tax equivalence 28%

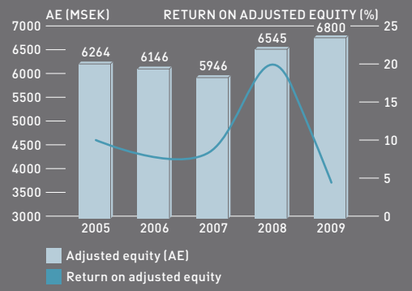
ECONOMIC DEVELOPMENT

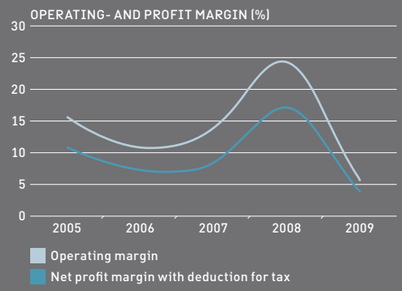












01. DIRECTOR GENERAL'S STATEMENT

With the close of 2009 Svenska Kraftnät can look back on a highly eventful year. In June the utility's head office moved from Råcksta to modern premises in a newly built building in Sundbyberg. Our logo and entire graphic profile were simultaneously revamped.

SUBSTANTIALLY INCREASED RATE OF INVESTMENT

As an element in our climate policy we are now making extensive investments to be able to connect wind power and other renewable electricity generation. Investments are also being made in order to overcome limitations in the transmission capacity, inside the country as well as between Sweden and the neighbouring countries. This requires reinvestments in our existing plants in order to maintain a high level of reliability and to make the electricity system more robust.

Two years ago an estimate of Svenska Kraftnät's investments during the three year period 2009–2011 was put at SEK 4.5 billion. Now that we are submitting our investment plans for the three year period 2011–2013 the equivalent figure is SEK 12 billion.

THE INFRASTRUCTURE DETERMINES THE PROGRESS OF THE CLIMATE POLICY

In common with other actors that are involved with infrastructure, Svenska Kraftnät frequently encounters opposition to its expansion plans. The arguments are the same, regardless of whether it concerns roads, railways or powerlines; feel free to build, but not here. And if they have to be built, then bury them!

It is in this conflict between opposing interests that the progress of climate policy will be determined. It is not the expansion of wind farms, but the extension of the networks that will be the principal limiting factor for how much renewable electricity we will be able to introduce by 2020 or 2030.

UNDERGROUND CABLE OR OVERHEAD LINES?

The Swedish national grid is and will remain an AC network. It is not possible to bury it. With the national grid's voltage levels, burying cables in the ground is only possible over short distances and then at the expense of reduced reliability. Underground cables over long distances are only possible with DC technology. It entails transmitting electricity from one point to another. It is appropriate in more exceptional cases such as in our submarine cables to neighbouring countries and in parts of the South West Link.

A LOT OF IMPORTANT PROJECTS

During the year the new 400 kV link between Järpströmmen in Jämtland and Nea in Norway has been put into operation. It is the first of three priority Nordic projects that will then be followed by a new DC link to Finland (Fenno-Skan 2) and subsequently by the seven billion kronor South West Link project. The latter is Svenska Kraftnät's largest investment project and is aimed at removing congestions in the bottlenecks that currently restrict transmission capacity to Skåne and between South Norway and Sweden.

A decision was taken during the year regarding the NordBalt link between Sweden and Lithuania. The aim is to link together an emerging Baltic electricity market with the Nordic market. At the same time security of supply in our three neighbouring Baltic countries will be enhanced.

We are also planning to connect Gotland with the national grid through a new link to the mainland. This will facilitate a continued expansion of wind power on the island.

PRICE AREAS IN SWEDEN

The Nordic electricity market is based on market division, i.e. that the market is divided up into different price areas when the transmission capacity in the system is insufficient to meet all the demand. In Norway for example, this has long been self-evident, but not internally within Sweden. Here we have traditionally taken the view that it is important to keep the entire country together as one area with a common electricity price.

However, that approach is not without objections. A common electricity price increases the bill for counter trading that all Swedish electricity customers have to pay through the national grid tariff and prevents price signals reaching all market actors. In the endeavour to secure a Nordic, and in the long run European, electricity market, it seems undeniably more reasonable that the market division takes place according to the congested sectors in the network rather than according to national borders.

And this is what is going to happen. Sweden will be divided into four bidding zones for the Nordic electricity exchanges, from 1 November 2011. We will thereby be establishing a system for Swedish congestion management that cannot be questioned in relation to the European competition rules.

FINALLY

The extensive investments mean that we need to reinforce our skills base. A programme for transferring expertise has been prepared for forthcoming retirements. During the year we have also recruited a large number of new employees. And despite a high workload it is gratifying to report an extremely low sickness figure.

There was a high level of performance reliability in the national grid throughout the year. On the other hand, the global finance crisis did not leave us unscathed. The slowdown in the industrial economy contributed to a substantial reduction in transmission on the national grid in 2009, and thereby to reduced revenues for the public utility. The cold weather in December, when in addition 30% of nuclear power production was shutdown, also caused very high counter purchasing expenses.

Overall therefore Svenska Kraftnät did not achieve the Government's financial targets, a return of 6% on adjusted equity. However, for 2009 the Group did show a profit of SEK 375 million, equivalent to a 4.3% return on adjusted equity.

Stockholm, February 2010
MIKAEL ODENBERG

02. THIS IS SVENSKA KRAFTNÄT

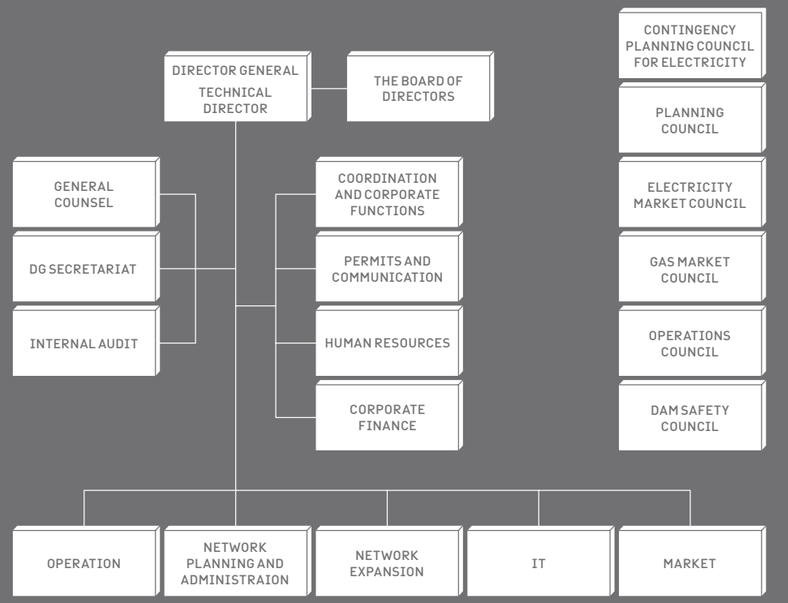
Svenska Kraftnät is a public utility with the task of administering Sweden's national grid for electric power, which comprises 400 kV and 220 kV powerlines with stations and interconnectors. We are also the System Operators for electricity and natural gas. Svenska Kraftnät develops the national grid and the electricity market in order to meet society's need for a secure, environmental friendly and economic electricity supply. We thereby also have an important role to play in climate policy.

The parent entity has over 325 employees – the majority at the newly built head office in Sundbyberg. We also have offices in Sundsvall, Halmstad and Sollefteå. A further couple of hundred people are employed as contractors for operation and maintenance of the national grid throughout the country. In 2009 turnover was approx. SEK 6,900 million. Svenska Kraftnät has three subsidiaries and six associated companies, including Nord Pool, the Nordic electricity exchange. Svenska Kraftnät's Board of Directors and Director General are appointed by the Government. From 1 January 2010 Svenska Kraftnät has been organised in nine departments. In addition there are six councils for cooperation with various stakeholders. More information is available on our website www.svk.se.

OUR MISSION

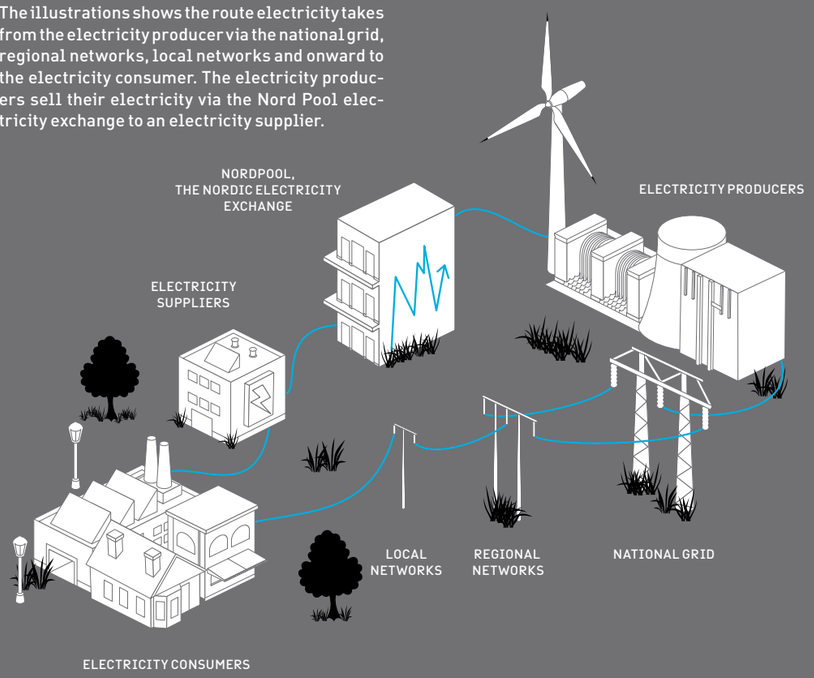
- To provide transmission of power on the national grid well in compliance with security, efficiency and environmental requirements.
- To perform the system operator function for electricity and natural gas cost-efficiently.
- To promote an open Swedish, Nordic and European market for electricity and natural gas.
- To ensure a robust nationwide supply of electricity.

ORGANISATION



THE ROUTE ELECTRICITY TAKES

The illustrations shows the route electricity takes from the electricity producer via the national grid, regional networks, local networks and onward to the electricity consumer. The electricity producers sell their electricity via the Nord Pool electricity exchange to an electricity supplier.



» ABSENCE DUE TO ILLNESS WAS ONLY 1.6 % «

03. SVENSKA KRAFTNÄT'S STAKEHOLDERS

Svenska Kraftnät was set up in 1992 and administers the national grid – the backbone of the Swedish electricity system. In our role as System Operator we also ensure that there is a balance between supply and demand in the system, so that the frequency is always close to 50 Hz. This and our other activities affect large numbers of people and organisations, all of which can be included as Svenska Kraftnät's stakeholders.

THE ACTORS IN THE ELECTRICITY MARKET

In its role as national grid operator Svenska Kraftnät has direct contact with companies that own facilities connected to the grid, i.e. large production plants and regional electricity networks. Maintaining the balance between supply and demand is conditional on production planning based on forecasted consumption. Svenska Kraftnät does this in collaboration with the balance providers, which have taken on financial responsibility for ensuring that there is sufficient electricity produced to satisfy consumption. All electricity consumers have to have a balance provider for their consumption. However, in practice the electricity supplier ensures that there is one. Electricity suppliers can be balance providers themselves, or transfer the responsibility to another company. The local electricity network company submits the consumption figures to Svenska Kraftnät, which uses them to calculate whether the balance providers have succeeded in balancing production against consumption. System Operator companies in other countries can also be included as actors. Svenska Kraftnät enjoys close cooperation with Norway, Finland and Denmark in operating the electricity system efficiently and safely.

LAND OWNERS AND NEARBY RESIDENTS

Svenska Kraftnät administers approx. 15,000 km of powerlines, and some 130 switching stations. We are also continually building new facilities. Land owners and nearby residents are important stakeholders, and they are given the opportunity to express an opinion when Svenska Kraftnät converts or builds new facilities.

THE GOVERNMENT COMMISSIONS OUR ACTIVITIES

Svenska Kraftnät's activities are regulated primarily through an instruction and an annual letter of governance that is issued by the Government. In connection with adoption of the national budget, Parliament decides on the framework for Svenska Kraftnät's investments and financial activities. As a public utility and authority Svenska Kraftnät also enjoys a large number of contacts with other authorities.

A LOT OF OTHER STAKEHOLDERS

We have only mentioned a small proportion of all our stakeholders above. Examples of others are municipalities, county administrative boards, operators in the natural gas market, the Nord Pool electricity exchange, dam owners, journalists, wind power companies, universities, researchers, students, applicants, suppliers, voluntary organisations and financial institutions.

04. IMPORTANT OPERATIONAL EVENTS DURING 2009

JANUARY
On 11 January at 7–8 pm the highest production values so far were reported for wind power, 824 MW.

FEBRUARY
Svenska Kraftnät and the Norwegian Statnett commenced a strategic collaboration with the aim, among other things, of producing a Norwegian-Swedish network development plan and a joint end customer market.

The Swedish Environmental Management Council's annual prize, Excellent Green Purchaser 2009, was awarded to Svenska Kraftnät in recognition of the fact that for a decade the public utility has been consistently engaged in developing systems to take environmental requirements into account when procuring construction and maintenance contracts.

MARCH
Svenska Kraftnät publishes its »Guide for connecting wind power to the national grid« to facilitate the work of wind power contractors. The guide describes the rules that Svenska Kraftnät applies for connection to the national grid.

Svenska Kraftnät holds its annual customer- and stakeholder day in Stockholm.

The Director General Mikael Odenberg awards Svenska Kraftnät's environmental prize 2009 to Servicestaden Sverige AB and FLIR Systems AB. Servicestaden was rewarded for its method for cleaning items such as oil polluted transformers and oil collection pits in switchyards with so-called ultra-clean water. FLIR Systems received the prize for an infrared camera that can detect even very small leaks of the greenhouse gas sulphur hexafluoride (SF6) from switchyard equipment.

APRIL
County Governor Bo Källstrand succeeded the former cabinet minister Sven Hulterström as Chairman of Svenska Kraftnät's Board.

Svenska Kraftnät submitted a progress report to the Government on how a subdivision of Sweden into further so-called bidding zones for the Nordic electricity exchange can be implemented.

Svenska Kraftnät submitted proposals to the Government concerning new rules for nationally important reinforcements to the electricity network and connecting large electricity generation facilities to the network. The aim of the proposal is to reduce the threshold effects for the expansion of renewable electricity production.

The EU Commission made a formal decision to test whether Svenska Kraftnät's restrictions on electricity exports to other countries constitute abuse of a dominant market position. The background is a report in 2006 from the sypply industry organisation Dansk Energi, which feels that Danish consumers are discriminated against when Svenska Kraftnät restricts allocated capacity on foreign links in order to maintain reliability in the Swedish national grid.

MAY
Svenska Kraftnät initiated discussions with the EU Commission's Directorate General for Competition in the case of the export restrictions that have been called into question.

The procurement of the power reserve for winter 2009/2010 was completed. It comprised a total of approx. 1,900 MW, 630 MW of which constituted a reduction in consumption, i.e. industrial companies that are prepared to reduce their consumption in return for compensation.

JUNE
Svenska Kraftnät moved its head office from Råcksta to modern, open-plan premises in a newly constructed building in central Sundbyberg. The parent entity's new logo and graphic profile was presented in conjunction with the move.

The EU Commission published its preliminary position in the case against Svenska Kraftnät. It considers that Svenska Kraftnät may have discriminated between domestic and foreign actors in contravention of the EU's competition rules.

Parliament raises Svenska Kraftnät's permitted investment parameters for 2009 by SEK 555 million to SEK 1,755 million.

At a meeting at the County Governor's residence in Visby, Director General Mikael Odenberg reveals that Svenska Kraftnät is planning a new electricity link between Gotland and the mainland.

JULY
Svenska Kraftnät came out very well in a study conducted by CEER, the cooperative organisation for European supervisory authorities. The study compares how efficiently 22 transmission companies in 19 European countries run their operations.

Svenska Kraftnät submitted its annual report on the Swedish power balance to the Government. Electricity production is boosted by new wind power and increases in output from nuclear power plants, at the same time as electricity consumption has fallen as a result of the global economic crisis. Overall it means that the Swedish power balance has improved.

A Memorandum of Understanding is signed between Svenska Kraftnät and its counterparts in Latvia and Lithuania on constructing an electricity link between Sweden and Lithuania, and also strengthening the national grid in Western Latvia. The aim is to link an emerging Baltic electricity market to that of the Nordic countries and to increase security of supply in the Baltic States.

An application is submitted to the EU Commission regarding the € 175 million that the EU has allocated to the project. Of these funds € 131 million will be used for the new connection and € 44 million for the reinforcements to the electricity network in Latvia, which is a necessary physical prerequisite for a common Baltic electricity market.

AUGUST
Svenska Kraftnät's engagement in training activities in Åsbro outside Hallsberg is terminated and Åsbro training centre is transferred to a new owner.

Svenska Kraftnät is coordinating the work of establishing how prepared the electricity network and the generation companies are for a possible pandemic of the new influenza H1N1.

The Board raises the power fees in the national grid tariff by 25% and the energy fees by 40% from 1 January 2010. The reason is that an old long-term agreement is coming to an end for the electricity that Svenska Kraftnät purchases annually to cover transmission losses in the national grid. The adjustment to today's electricity prices will lead to substantially increased costs for transmission losses. Overall, the total increase in the national grid tariff is calculated at 32%, equivalent to about 0.6 öre per kWh.

SEPTEMBER
A fitness afternoon is arranged for the staff in Marabou Park in Sundbyberg, marking the start of a pedometer competition that will run throughout October and November.

OCTOBER
Svenska Kraftnät offers the EU Commission a voluntary undertaking that should eliminate the grounds for the Commission's complaint in the ongoing case in the EU. The heart of the undertaking is that the Swedish electricity

market is going to be divided into several bidding zones for the Nordic electricity exchange and that the so-called West Coast constraint area will be strengthened. The undertaking will be made public by the EU Commission in a so-called market test.

The new 400 kV national grid powerline between Järpströmmen in Sweden and Nea in Norway is put into commercial operation. It is the first of five large developments in the Nordic region that are of strategic importance for electricity supply.

NOVEMBER

Director General Mikael Odenberg inaugurates the first designer pylon in the national grid. The pylon is sited in Åre and is a part of the new 400 kV powerline between Järpströmmen in Sverige and Nea in Norway. The inauguration is attended by guests including Åre's municipal commissioner Eva Hellstrand and the artist Anna Cronheden.

Svenska Kraftnät commences development of its environmental management system with its sights on an environmental certification according to the ISO 14001 standard.

On 4 November at 8 am the 1,000 MW mark was broken for electricity from wind power fed into the national grid. The production value measured was 1,058 MW.

DECEMBER

Svenska Kraftnät informs the electricity market that the division of Sweden into the Nordic electricity exchange Nord Pool Spot AS will take place in four areas. The boundaries will follow constraint areas 1, 2 and 4, which define the congested sectors that limit the capacity to transmit electricity. This also concurs with the conclusions in the report that Svenska Kraftnät submitted to the Government in October.

The week before Christmas was unusually cold and 30% of nuclear power plants were shutdown. Svenska Kraftnät activated parts of the peak power reserve in order to achieve desirable margins in the national grid.

Untra, Uppland

Skog, Hälsingland

Hammarstrand, Jämtland

Gåvsta/Almunge, Uppland

Norrfly, Hälsingland

Pilgrimstad, Jämtland

Östberga, Stockholm

Näverede, Jämtland

Hammarstrand, Jämtland

Skärplinge/Tierp, Uppland

REPORT OF THE BOARD OF DIRECTORS 2009

05. OPERATIONS AND STRUCTURE

THE SVENSKA KRAFTNÄT PUBLIC UTILITY

Svenska Kraftnät is a public utility with the task of administering, operating and developing a cost-efficient, reliable and environmentally compatible power transmission system, and selling transmission capacity in a business-like manner. Svenska Kraftnät is also the System Operator authority for electricity and natural gas, and the authority for electricity contingency planning in accordance with the Power Contingency Act.

Svenska Kraftnät shall

- expand the national transmission grid based on socio-economic viability assessments,
- have supervisory responsibility for issues that concern the operational reliability of the national electricity system,
- promote competition in the electricity- and natural gas markets,
- promote research, development and demonstration of new technologies that are important for operations,
- have responsibility for contingency planning within the electricity sector during crises or conditions of war,
- engage in export of services within the public utility's field of operations,
- promote dam safety in the country,
- expand, install and administer lines for electronic communication, primarily in the national grid, and also allocate network capacity in them,
- be the accounting authority in accordance with the Electricity Certificates Act,
- deal with issues concerning guarantees of origin for electricity,
- monitor access to peak load capacity in the Swedish electricity system and regularly provide information about power supply to operators in the market,
- facilitate the expansion of renewable electricity production,
- be the National Security Authority for electricity supply.

GOVERNANCE FOR THE GROUP

Svenska Kraftnät is similarly with public administrative authorities controlled by the Government through a Government Agencies Ordinance, an ordinance consisting of the instruction for the public utility and the annual letter of governance. Every year Svenska Kraftnät draws up a three-year investment and financing plan that is put before Parliament for approval through the budget and finance bill. The utility applies the Staff Representatives Ordinance (1987:1101), the Internal Audit Ordinance (2006:1228) and the Ordinance (2007:603) on Internal Management and Control applies for Svenska Kraftnät.

The Government appoints the board and chief executive of the authority (Director General). The Director General and representatives of the staff organisations SACO and ST are included on the board.

During the year the Svenska Kraftnät Group consisted of the public utility, three subsidiaries and six associated companies in Sweden and Norway. The largest associated company is Nord Pool ASA with its head office in Oslo. In October 2008 Nord Pool ASA's clearing and consultancy operations were sold to OMX AB in Stockholm. In April Åsbro Kursgård was sold to a private owner, who will continue to operate the business.

DEVELOPMENTS IN OPERATIONS

During the year the Board of Directors approved a clearer process for operational planning and follow-up (ref. 2009/906). The process includes procedures to comply with the requirements in the Ordinance on Internal Management and Control that are thereby integrated in the business. The clarified method of working will be introduced gradually, starting in autumn 2009.

New routines for operational monitoring have been introduced with internal quarterly reporting that includes regular risk management.

An operational plan for 2010 (ref. 2009/1197) has been produced in accordance with new routines. The plan constitutes the basis for the parent company's internal planning and prioritising for forthcoming years. It also governs our external communication, as Svenska Kraftnät's operation is of great social importance and has an impact on society both nationally and locally.

INTERNAL GOVERNANCE AND CONTROL

Internal governance and control refers to the process that has the aim of ensuring that Svenska Kraftnät fulfils the requirements placed on the operation by the Government through the authority's management. The process is based on four phases.

- Risk assessment, which entails identifying and evaluating risks that the operation's goals cannot be fulfilled.
- Control structures detailing which controls have been chosen to manage the risks that have been identified.
- Information and communication, which starts by creating an awareness in the public utility's employees of guidelines and policies, including authorisations and responsibilities. Important tools for this are Svenska Kraftnät's intranet and regular training of employees. Examples of external communication are reporting to other authorities and external financial reporting.
- Following-up, the aim of which is to ensure the effectiveness of the process through a number of activities such as following-up operations in relation to targets set, audits and other types of monitoring.

During the year an internal project has commenced to review the public utility's values. All employees are involved in this task. The Board of Directors has appointed an audit committee from within its members, which prepares matters regarding internal management and control, financial reporting, risk assessment and internal auditing.

RISK MANAGEMENT

The group's management of risk is integrated in the various stages of operational planning. It consequently does not constitute a separate activity, but rather it is included as an element in strategic and operational planning, as well as in decisions on priorities, implementation and follow-up.

During the year the Board of Directors approved a policy for risk management (ref. styr.dok/7). Among other things, the policy sets out that the Board of Directors and the public utility's organisation shall be given a clear risk scenario, that the Board of Directors shall be given the opportunity to convey its view of risk through a separate annual report, and that a high level of awareness shall be cultivated and maintained in the organisation. Risk management shall encompass all operations and be integrated in everyday activities. It shall comprise an integrated and natural part of all aspects of operational planning.

The Board of Directors shall give its view of risk on an annual basis, by evaluating the group's overall risks and putting measures in place to deal with them. The risk analysis that the Board established in February 2009 (ref. 2009/942) presents some twenty overarching risks.

OPERATIONAL RISKS

Svenska Kraftnät's operations are of central importance for Swedish electricity supply. It must therefore be regarded as being of particular importance to society in both the short and long terms. Operations can be subjected to disturbances and stresses of many different kinds. They may be a result of technical faults or intentional actions aimed at causing damage. In a separate report, Svenska Kraftnät gives an overall account of risk and vulnerability analyses in accordance with the Ordinance (2006:942) on Emergency Planning and Heightened State of Alert.

There is a relatively minor risk of disturbances in the national grid that would have serious consequences for society and the end customers. The grid is robust with ample potential to maintain electricity supply even during disturbed operating conditions. However, the risk of a major power failure can never be totally eliminated. Svenska Kraftnät is taking a series of measures, including an extensive investment programme, to further increase the reliability of the national grid.

At present the risk and likelihood of sabotage in relation to Svenska Kraftnät's facilities is slight. However the threat scenario can change rapidly. In conjunction with converting or building new facilities, Svenska Kraftnät has therefore substantially increased physical protection through stronger and higher fences. The process of installing surveillance cameras

to monitor the facilities is underway. Important parts of the facilities are fitted with alarms.

The risk of peak power shortages in the Swedish electricity system has been limited. Every year Svenska Kraftnät procures standby capacity in accordance with the Act on Reserve Capacity (2003:436).

ENVIRONMENTAL RISKS

Svenska Kraftnät is actively engaged in environmental issues. For a number of years Svenska Kraftnät has had an environmental management system for construction activities as an aid in structuring its environmental work and ensuring that it is performed. Environmental requirements are placed on all construction and maintenance contracts to reduce the environmental risks. Seven special environmental audits have been implemented during the year to monitor the environmental requirements.

The subsidiary Svenska Kraftnät Gasturbiner AB has eliminated environmental risk at gas turbine plants through banks that ensure that the fuel can be collected in the event of a leak.

IT-RELATED RISKS

Svenska Kraftnät's capacity to monitor and control the national grid is based on well functioning IT- and telecommunications systems. To ensure the operation of the IT- and telecommunications systems, they are constructed with a high level of redundancy. During the year specific control measures have been instituted and followed up to reduce risks in the IT operation (ref. 2009/1336).

FINANCIAL RISKS

The public utility's results are substantially influenced by the hydrological situation pertaining in the Nordic region, generation in combined heat and power plants, and by the trade utilising the foreign links. Revenues tend to increase in conjunction with extensive hydropower generation, which leads to increased transmissions from Northern to Central and Southern Sweden. Revenues decrease when there is a low supply of hydroelectric power and a high level of imports. The fluctuations in earnings may amount to several hundred million SEK. A reasonable assessment of Svenska Kraftnät's financial results must therefore be carried out over a period of several years.

Svenska Kraftnät uses so-called counter trading in order to reduce the transmission of electricity in a section of the grid when there is a limited transmission capacity. The costs for counter trading are normally low, but can amount to large sums (tens of millions of SEK) in extreme operational situations, for example a situation such as occurred in December 2009, when several nuclear power plants were out of operation.

Svenska Kraftnät has expenses for primary regulation to maintain the balance in the electricity system. The level of the expenses is dependent on water supply in the reservoirs and on the price of electricity. In certain situations these expenses can double compared with normal conditions.

The development of Svenska Kraftnät's fibre optic network has continued at a slower pace over the past year and has primarily been focused on the needs of the national grid. There are no major commercial risks, however costs for penalties etc. will arise due to operational disturbances in the fibre optic network during the winter.

Svenska Kraftnät's investments will amount to about SEK 20 billion during the next ten year period. The increased rate of investment will have an effect on the Group's financing and interest expenses. A significant proportion of the risk exposure also lies in various delays to the projects, often caused by time-consuming processes for obtaining permits. Another risk factor is the impact of raw material prices on the material in cables.

FINANCIAL GOALS

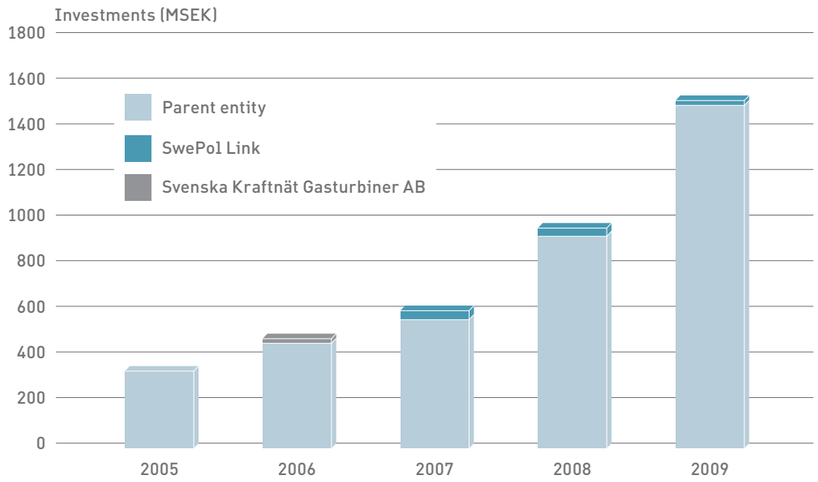
According to the letter of governance for 2009, Svenska Kraftnät (the Group) will achieve an average return on adjusted equity of 6% following deduction for tax equivalence of 28%. The return on adjusted equity in 2009 was 4.3 (19.8)%, which means that the goal was not reached. The main cause was the extreme operational situation in the month of December.

The debt/equity ratio was 33 (28)%, which is in line with the letter of governance's ceiling of a maximum of 55%.

The Government's dividend policy means that 65% of annual net income for the Group is allocated to the Swedish state. Additional dividend may also be allocated.

INVESTMENTS

The Group's investments continued to display a clearly increasing trend during 2009 and amounted to SEK 1,527 (963) million. This means that for the first time investments exceeded one billion SEK. New investments amounted to 1,143 (552) and reinvestments to SEK 384 (411) million.



The investments are allocated as follows:

MSEK	2009	2008
Parent entity		
Investments in grid	1,401	856
Investments in fibreoptic cables	47	30
Other intangible investments	54	43
TOTAL PARENT ENTITY	1,502	929
SwePol Link	1	2
Svenska Kraftnät Gasturbiner AB	24	32
TOTAL	1,527	963

Three large powerline projects were initiated in 2005 within the Nordic grid collaboration – the South West Link, Fenno-Skan 2 and Nea-Järpströmmen. The latter project was completed during 2010 while the first two are in different phases of implementation and will also be proceeding during 2010.

Planning of two new cable projects in the Baltic also commenced during the year. The first project, Nordbalt, is a DC link between Sweden and Lithuania with the aim of integrating an emerging Baltic electricity market with the Nordic market. The second project is a new cable link to connect Gotland with the Swedish national grid and facilitate further expansion of wind power on the island.

Svenska Kraftnät moved its head office to Sundbyberg in June. The new building meets the need for modern, well-functioning premises, at the same time as it complies with the high level of environmental and security requirements that have been set. The head office will help to give Svenska Kraftnät a more distinct profile, and emphasise the parent entity's position as an independent actor in the energy market. In total the building represents an investment of SEK 97 million.

ONGOING INVESTMENT PROGRAMME

The South West Link is Svenska Kraftnät's largest ever investment project and the costs are estimated at around SEK 7 billion. The purpose of the investment is to reinforce the AC network, increase reliability and alleviate limitations in transmission capacity to Southern Sweden and between Norway and Sweden. The South West Link is also important for the expansion of wind power and for increases in output in nuclear power plants. Costs during the year have amounted to SEK 72 million.

The South West Link will be constructed in three sections with a nodal point in Barkeryd north of Nässjö. DC links will be constructed from there to Hörby in Skåne and to the Oslo region in Norway using new technology (HVDC VSC). A new 400 kV AC powerline is being built from Barkeryd and northwards to Hallsberg in Närke. Work has proceeded during the year on the planning of new powerlines and stations, and there has also been a number of consultations in relation to ground and permit issues.

Svenska Kraftnät is constructing a new DC connection between Sweden and Finland (Fenno-Skan 2) in conjunction with the Finnish national grid company Fingrid, with

commissioning planned for November 2011. In addition to the submarine cable, the link includes two new converter stations, 70 km of new 500 kV overhead lines and a new 400 kV switchyard in Gästrikland. Costs amounted to SEK 369 million during 2009.

During the year Svenska Kraftnät took the decision together with its counterparts in Lithuania and Latvia to build a link between Sweden and Lithuania, NordBalt. The link will be a DC link to integrate the Nordic and Baltic electricity markets. An application for co-financing from the EU was submitted during the summer 2009. Engineering studies were implemented during the year and surveys of the sea bed were completed. Costs amounted to SEK 22 million during 2009.

In conjunction with Energinet.dk and Vattenfall Europe Transmission, now called 50 Hz Offshore Wind, Svenska Kraftnät has conducted a pilot study on the possibilities of combining the connection of offshore wind power at Kriegers Flak in the Baltic Sea with interconnections between Sweden, Denmark and Germany. In January 2010 Svenska Kraftnät took the decision not to proceed with the project.

The new 400 kV powerline between Järpströmmen in Jämtland and Nea in Norway was operational in October 2009. However, a 10 km section remains to be completed in early 2010. The existing 275 kV powerline will be dismantled. The project has also entailed the reconstruction of the switchyard in Järpströmmen. The aim is that the powerline will improve transmission capacity between Sweden and Norway, and also strengthen the grid in the Åre region. Costs amounted to SEK 408 million during 2009.

The Stockholm Ström project commenced in 2004 with the aim of improving the electricity supply in the Stockholm area. The project consists of numerous sub-projects and is a collaboration between Svenska Kraftnät, Vattenfall Eldistribution AB and Fortum Distribution AB. The most important sub-project is a new 400 kV powerline from Hagby in Upplands Väsby through Stockholm to Ekudden in Västerhaninge. This will form a 400 kV ring around the Stockholm area. It will be possible to dismantle some 150 kilometres of overhead powerlines in connection with the project, releasing ground to be used for other purposes. A prerequisite for a large proportion of the sub-projects and to release the bulk of the ground occupied by the overhead lines is that the municipalities involved and other land owners contribute to the financing.

Work has proceeded on a number of sub-projects during 2009:

- Värtan–Lidingö, new 220 kV cable between the station in Värtan and the Koltorp station on Lidingö.
- Nacka–Värmdö, new 220 kV cable between Nacka and a new station outside Gustavsberg on Värmdö.
- Hagby–Anneberg (Danderyd), a new 400 kV powerline between Hagby and a new station in Danderyd.
- Danderyd–Järva, Danderyd–Bergshamra, new 220 kV cables between Danderyd and Järva and also between Danderyd and Bergshamra.
- Hägerstalund–Beckomberga, new 220 kV cable between Hägerstalund and Beckomberga.

Costs for the sub-projects amounted to SEK 50 million during 2009.

Uppsala Ström is a project with the aim, among others, of increasing security of supply in the Uppsala area. The project commenced in 2006 and is a collaborative venture between Svenska Kraftnät, the municipality of Uppsala and Vattenfall Eldistribution AB. Svenska Kraftnät has been responsible for a new station outside Uppsala and for a cable link from there to Vattenfall's new transformer station at the combined heat and power plant. This work was completed during 2009 and a four km long powerline corridor with 220 kV and 70 kV powerlines through central Uppsala has been decommissioned and dismantled. Costs amounted to SEK 23 million during 2009.

Network reinforcements are planned to facilitate increases in output from the nuclear power plants in Forsmark and Oskarshamn. During the year Svenska Kraftnät has approved the construction of a new powerline from Oskarshamn to the new station planned in Barkeryd, north of Nässjö. Extensive studies are also underway to find the most suitable network solution to enable output increases in Forsmark and additional increases in Oskarshamn.

During the year Havsnäs wind farm, with an output of 96 MW was connected to the national grid north of Strömsund in Jämtland.

After the major disturbance of September 2003 Svenska Kraftnät decided to initiate a reconstruction programme for the 400 kV stations in the national grid. This task is underway and in 2009 renewal of the stations in Hallsberg and Storfinnforsen commenced. During the year work progressed on similar station projects in Ramsele, Forsmark and Ekhyddan. In addition to this, work has proceeded on a new switchyard in Ängsberg in Gästrikland. Costs for these projects amounted to SEK 123 million during 2009.

During 2005 Svenska Kraftnät commenced a programme to replace the oldest type of sky wires on the powerlines with the aim of raising reliability and personal safety. The work has continued during 2009 on several sections. The costs of replacing sky wires and installation of fibre optic cable amounted to SEK 40 million during 2009.

The subsidiary Svenska Kraftnät Gasturbiner AB has carried out replacement of control equipment in the gas turbine plants at a cost of SEK 24 million.

OPERATING REVENUE AND INCOME

The global recession and reduced industrial output in Sweden has led to a fall in electricity consumption in Sweden. The electricity-intensive industries have made substantial cutbacks to their consumption volumes, concomitantly resulting in a 9% decrease in transmission over the national grid.

The Svenska Kraftnät Group's operating revenue decreased during the year and amounted to SEK 6,851 (7,717) million. The lower operating revenue is also a consequence of substantially reduced congestion revenues, which were SEK 531 million lower than last year. Revenues from System Operator electricity fell by SEK 455 million, primarily due to lower electricity prices during 2009.

Operating expenses amounted to SEK 6,494 (6,913) million. Expenses for loss power and energy compensation decreased by a total of SEK 168 million during the period as a result of the reduced transmission on the national grid during the year. The costs for balancing power fell by SEK 450 million, or 13%. On the other hand, costs for counter-trade increased by SEK 190 million during the year and amounted to SEK 300 million. This is primarily explained by two cold snaps in December, when several nuclear power plants were still shut down and back-up power was activated together with imports from Denmark and Germany.

Svenska Kraftnät is in the midst of a recruitment period and 20 new full-time positions have been added since December 2008. Staff expenses thereby increased by SEK 21 million.

The higher rate of investment in the parent entity is affecting the depreciation of intangible and tangible assets for the Group, which increased by SEK 28 million.

Share of income in associated companies amounted to SEK 31 million, which is SEK 1,038 million lower than last year. This is due to the fact that in 2008 the associated company Nord Pool ASA sold its share holding in the German electricity exchange EEX, which consequently increased Svenska Kraftnät's share in profits by SEK 195 million. In October 2008 Nord Pool ASA's clearing operation was also sold to OMX AB, which explains the large difference in share in profits.

Group operating income amounted to SEK 388 million, which is SEK 1,485 million lower compared with 2008. The operating margin for the Group was 5.7%, which is 18.6% lower than last year.

Net financial income/expense during the period amounted to SEK -7 million, which is an improvement of SEK 60 million compared with last year. The improvement is due to lower interest expenses and positive effects of exchange rates.

Net income for 2009 amounted to SEK 375 (1,803) million. The net profit margin with a deduction for standard tax amounted to 4.0%, which is a decrease of 12.8% compared with 2008.

The Group's return on adjusted equity for the year amounted to 4.3 (19.8)%.

FINANCING

The parent entity finances its operations with equity and loans in the National Debt Office. At the end of 2009 loans amounted to SEK 1,033 (573) million and liquid funds to SEK 76 (77) million. During 2009 Svenska Kraftnät has had a variable loan parameter with the National Debt Office that it has been possible to utilise up to SEK 2,000 million. From 1 January 2010 this variable loan parameter is SEK 3,500 million.

Since February 2007 the subsidiary SwePol Link AB has had a loan at Handelsbanken of SEK 884 (1,145) million. The National Debt Office has issued a maximum guarantee for the loan of SEK 150 million. This guarantee came to and end during 2009.

At year end borrowing in Svenska Kraftnät Gasturbiner AB amounted to SEK 157 million. Financing takes place within the Group.

COST-EFFICIENCY

Cost-efficiency in Svenska Kraftnät should be at least as high as in comparable companies. In order to be able to assess efficiency and find areas for improvement, comparisons are made with other companies by means of benchmarking studies.

TSO Comparison Group is a benchmarking group that was set up in 1995. Svenska Kraftnät initially participated in the work and became a formal member in 2007. The group includes some twenty national grid companies from Asia, Europe, Africa, the Middle East, the Southern Pacific region and North and South America. It is primarily the system sector that is studied. The most recent study was completed in 2009. It shows that Svenska Kraftnät's use of resources and costs are on the whole equivalent to the average value for the group.

The cooperative organisation for European supervisory authorities, CEER, conducted a benchmarking study in 2008–2009 of 22 national grid companies in 19 European countries. The results show that Svenska Kraftnät is one of the most efficient national grid companies in Europe in terms of both investments and operating expenses. In certain areas Svenska Kraftnät had such good values that it was not possible to compare figures within the framework of the model used. However, the study observes that Svenska Kraftnät is facing extensive reinvestments in the national grid and that retaining high efficiency and satisfactory cost control is going to be a challenge.

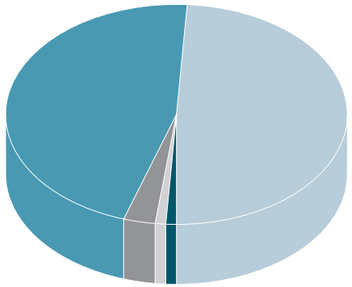
With the aim of making its overall operation more efficient, in conjunction with the other Nordic national grid companies Svenska Kraftnät has initiated an exchange of information and comparative analyses of key ratios within areas such as network development, maintenance and system operations.

» THE GROUP'S REVENUES DECREASED BY 11 % TO SEK 6,851 MILLION «

06. BUSINESS SEGMENTS

The Government divides Svenska Kraftnät's operations into the following business segments. This chapter reports on operations carried out in 2009. An overview of the Group with regard to operating revenue and operating income is to be found in note 8.

SHARE OF OPERATING REVENUES



ELECTRICITY MARKET

The Electricity market activities are divided into three lines of business; transmission on the national grid, system operator and electricity certificates.

TRANSMISSION ON THE NATIONAL GRID

The line of business Transmission on the national grid comprises the construction, maintenance and operation of the national grid in Sweden. The national grid consists of 220 kV and 400 kV lines, with stations and interconnectors administered by Svenska Kraftnät, including SwePol Link.

Svenska Kraftnät's network customers – i.e. owners of large electricity generation facilities connected to the national grid, regional networks and consumption facilities are billed for their access to and utilization of the national grid in accordance with a pre-set tariff.

A point of connection tariff is applied on the national grid for physically connected customer facilities. The tariff consists of a capacity component and an energy component. The capacity component is based on the capacity subscribed to by the customer on an annual basis for input and outtake at each connection point. The input fee is lowest in the south and increases linearly with the latitude to its highest value in the north. The reverse applies for the the outtake fee. The energy component is based on the transmission losses in the national grid that are occasioned by supply and extraction at the individual connection points.

The capacity charges for 2009 were raised by 23%, which represents an overall increase in the total tariff of about 10%. For 2010 the tariff's power fees are being raised by 25% and the energy component by 40%, representing an overall increase of about 32%.

Other income centres are congestion revenues and transit compensations. Congestion revenues is generated when the Nordic market is divided into different price areas due to shortage of transmission capacity. The income is used for investments to increase capacity and thereby to reduce limitations. Transit compensations consist of reimbursement for costs of electricity flowing through the national grid with its points of origin and destination in other countries.

The grid fees generated SEK 2,416 (2,186) million. Of these, the capacity charges accounted for approximately 53 (41)% and the energy fees for some 47 (59)%. Congestion revenues fell to normal levels during the year. The principle cause of the unusually high congestion revenues during 2008 was a major, long-term cable fault in Oslo Fjord.

NETWORK REVENUE (MSEK)	2009	2008
National grid fees		
Power fees	**1,288**	894
Energy fees	**1,128**	1,292
TOTAL	**2,416**	2,186
Congestion revenue	**289**	820
Transit revenue	**130**	168
Transmission on SwePol Link	**214**	248
Other network revenue	**54**	56
GRAND TOTAL	**3,103**	3,478

Transmission during the year was 101.7 (112.1) TWh. The global recession and reduced industrial output in Sweden has led to a fall in electricity consumption in Sweden during the year. The electricity-intensive industries have made substantial cutbacks to their consumption volumes, concomitantly resulting in a decrease in transmission over the national grid.

TRANSMISSION ON THE NATIONAL GRID	2009	2008
Energy fed into the national grid, TWh	**104.4**	115.0
Energy extracted from the national grid, TWh	**101.7**	112.1
Max power outtake, MWh/h (hour with highest power extracted)	**18,265**	18,979

The input subscription increased somewhat while the extract subscription fell somewhat compared with 2008. One customer was added in conjunction with the connection of a new wind farm. This makes the number of customers connected to the national grid 24 (23).

POWER SUBSCRIPTIONS FOR THE NATIONAL GRID	2009	2008
Input subscription, MW	**20,607**	20,440
Outtake subscription, MW	**21,052**	21,342
Number of customers	**24**	23

Transmission losses on the national grid amounted to 2.7 (2.9) TWh, which was lower than last year. The reduction can be explained by a decrease in transmissions.

TRANSMISSION LOSSES ON THE NATIONAL GRID	2009	2008
Energy losses, TWh	**2.7**	2.9
Percentage of extracted energy, %	**2.6**	2.5
Maximum power losses, MWh/h (hour with highest energy losses)	**963**	734

Operating income for transmission on the national grid amounted to SEK 256 (822) million.

Operating revenue increased by SEK 368 million compared with last year. The reduction in operating income can primarily be explained by lower congestion revenue, which in 2009 amounted to SEK 289 (820) million. Transit revenues also decreased during 2009 by SEK 38 million.

(MSEK)	2009	2008
Operating revenue	**3,148**	3,516
Operating expenses	**-2,892**	-2,694
OPERATING INCOME	**256**	822

Operating expenses increased by SEK 198 million compared with 2008, which is primarily due to higher costs for counter trading during the fourth quarter and which amounted to a total of SEK 304 (1,13) million for the year. In addition expenses for maintenance increased by SEK 50 million.

The operating margin for the business segment amounted to 8.1%, which is 15.3 percentage points lower than 2008.

Disturbances

Svenska Kraftnät shall act to ensure that the national grid is developed in order to enhance reliability and availability in the transmission system. Investments within Transmission on the national grid amounted to SEK 1,409 (885) million.

During the year the energy fed into the national grid was some 9% lower than last year and the outtake from the national grid was correspondingly less. The recession has affected electricity consumption throughout the country as a whole, but in terms of volume most in Central and South Sweden.

The highest consumption of electricity during the year occurred on 16 January when 24,900 MW was consumed in one hour. The highest electricity consumption recorded thus

DISTURBANCES	2009	2008	2007	2006	2005
Disturbances on the grid, no.	**153**	157	150	181	251
Ditto with interruptions to supplies, no.	**16**	9	5	15	22
Non-supplied energy, MWh	**5**	3	13	95	4

far was 27,000 MW on 5 February 2001.

Svenska Kraftnät's principal goal is a high level of reliability in the Network operation. Reliability performance has been good during 2009. There were 153 (157) disturbances in the grid, most of which were dealt with by the automatic equipment built into the technical systems without having any impact on power supplies. Those disturbances in the national grid that it has not been possible to deal with successfully have only resulted in small volumes of energy not being supplied.

Sixteen disturbances led to power failures for subscribers. The volume of energy that was not supplied amounted to 5 (3) MWh. The number of disturbances in the national grid over a five year period is set out on the previous page.

Congestion management

The electricity transmission network never has an unlimited transmission capacity. When congestions arise, measures have to be put in place to ensure that the flow of power does not exceed the network's capacity. In Sweden this has been achieved by adapting the trading capacity that is allocated to the foreign links and through Svenska Kraftnät use of so-called counter trading. This has also enabled Sweden to remain as a single area with a common price on the Nordic electricity exchanges.

Swedish congestion management has been called into question, and in July 2006 Dansk Energi reported the matter to the EU Commission. What the critics claim is that in practice Svenska Kraftnät moves internal Swedish congestions to its national borders and that it is thereby discriminating against foreign customers. In June 2009 the EU Commission arrived at the provisional judgement that Svenska Kraftnät's congestion management may contravene the EU's rules on competition. With the aim of clearing any misgivings that the EU Commission has articulated, Svenska Kraftnät has therefore voluntarily offered the Commission an undertaking in accordance with article 9 in the Council's Ordinance (EU) no. 1/2003.

The core of the proposed undertaking is that the Swedish electricity market will be divided into a number of bidding zones for the Nordic electricity exchanges no later than 1 November 2011. Congestion in the Swedish national grid's transmission capacity will not subsequently cause any specific limitations on the capacity that is allocated to foreign links.

The congestion management on the Nordic electricity market is based on market division. As far as the Swedish market is concerned, this will take place according to the geographically defined sectors where the transmission capacity is limited instead of according to the Swedish national borders. It will be possible for different electricity prices to occurs in different parts of the country and the price signals will thereby also be permitted to reach the actors in the market.

In parallel with the case at the EU Commission, Svenska Kraftnät has been engaged in a commission on behalf of the Government to start the process of dividing Sweden into bidding zones for the Nordic electricity exchanges. A final account of the commission was presented in a report to the Government on 19 October 2009 (ref. 2009/35).

On 22 December 2009 Svenska Kraftnät informed the electricity market that the division into bidding zones would take place in accordance with all three constraint areas (1, 2 and 4), which means that during the second half of 2011 Sweden will be divided into four bidding zones. The precise date will be determined by the EU Commission's decision to make Svenska Kraftnät's undertaking binding.

SYSTEM OPERATOR – ELECTRICITY

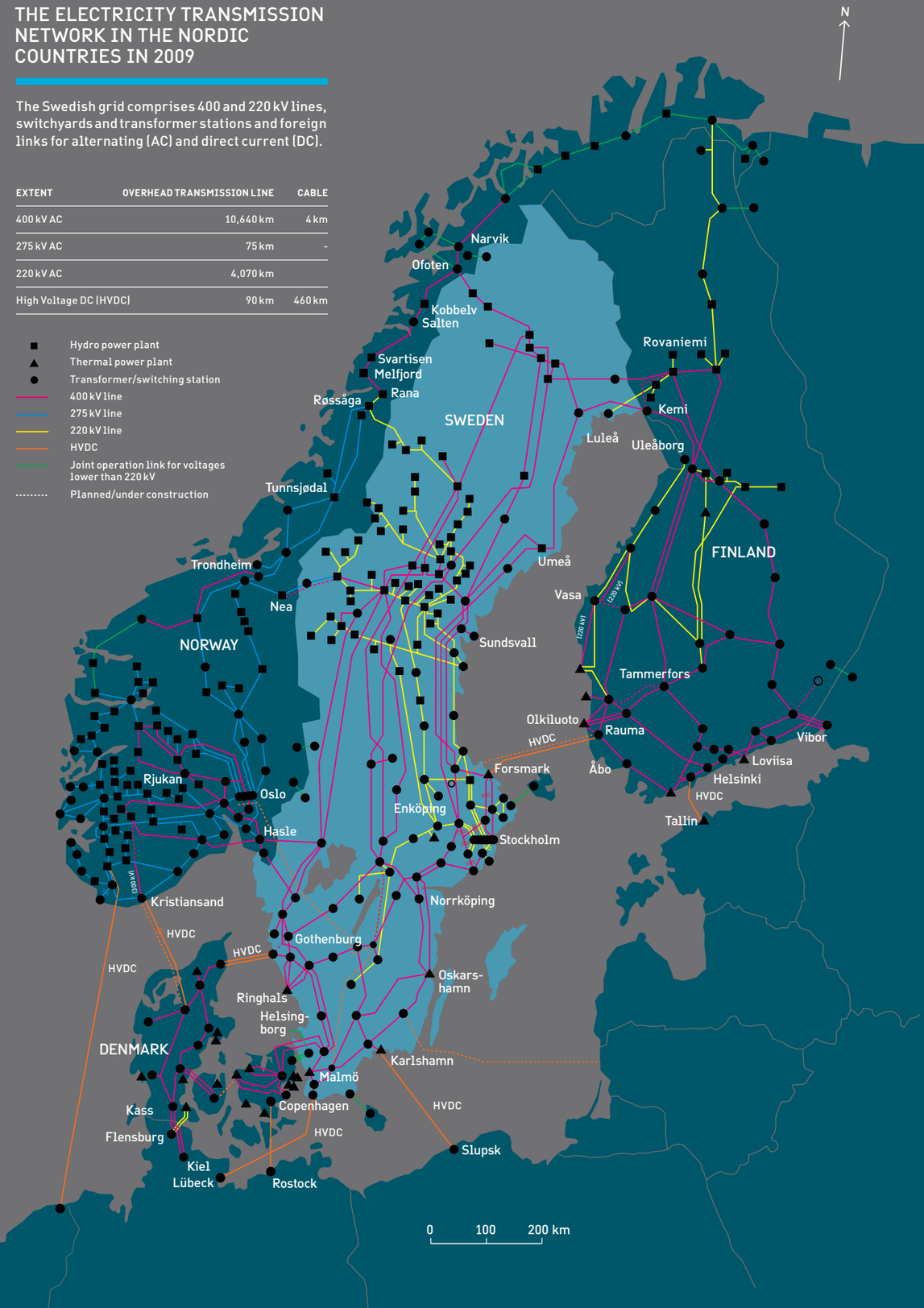
As the Transmission System Operator for electricity Svenska Kraftnät ensures that plants interact reliably with each other and that there is a balance between production and consumption of electricity. Ensuring that plants interact reliably is achieved primarily through rules and requirements in connection agreements, and through regulations for network and production facilities. The volume of revenues and expenses as System Operator are assigned in relation to the management of the balance between production and consumption of electricity. Balance regulation is dealt with by Svenska Kraftnät's Balance Service.

Svenska Kraftnät will act to ensure that relevant measures are put in place so that Sweden has a satisfactory power supply and that the risk of peak power shortages can be reduced.

THE ELECTRICITY TRANSMISSION NETWORK IN THE NORDIC COUNTRIES IN 2009

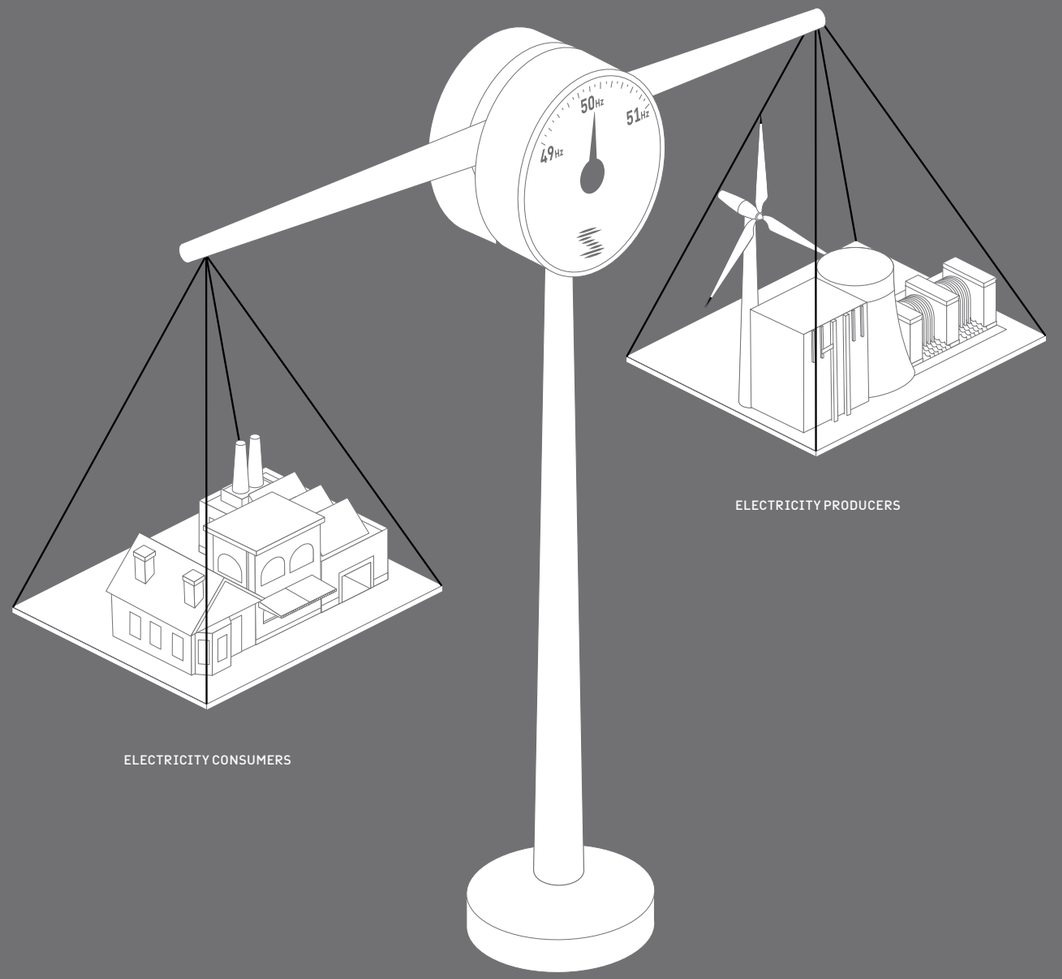
The Swedish grid comprises 400 and 220 kV lines, switchyards and transformer stations and foreign links for alternating (AC) and direct current (DC).

EXTENT	OVERHEAD TRANSMISSION LINE	CABLE
400 kV AC	10,640 km	4 km
275 kV AC	75 km	-
220 kV AC	4,070 km	
High Voltage DC (HVDC)	90 km	460 km



THE ELECTRICITY BALANCE

Svenska Kraftnät maintains Sweden's consumption and production in balance. The frequency is a measurement of how well the balance is being maintained. Production and consumption are in balance when the frequency is stable. For technical reasons the Swedish electricity system is designed for a constant frequency of 50 Hz.



An important part of the balance regulation is the approximately 30 balance providers that have signed agreements with Svenska Kraftnät regarding balance responsibility. The companies have undertaken to plan their input of electricity (generation and purchase) and their extraction (consumption and sale) for each hour so that they balance each other. Svenska Kraftnät then conducts a balance settlement, or in other words performs a financial settlement of the imbalances that have arisen when the measured values for production and consumption are reported. A company that one hour reports a deficit, buys the electricity (balance power) that is required to achieve a balance from Svenska Kraftnät. Correspondingly, companies that have a surplus sell electricity to Svenska Kraftnät. The price of the electricity that is bought or sold is the hourly rate on the electricity spot market with a surcharge for expenses that Svenska Kraftnät has incurred in starting or stopping production, the so-called upwards-/downwards regulating price.

To balance the power system physically there are automatic reserves (so-called primary regulation) that increase the production when the frequency falls and decrease it when the frequency rises. The automatic reserves are mainly located at producers with hydroelectric power production and are procured on a weekly and daily basis. To maintain the frequency within given limits the balance service activates upwards- or downwards regulation based on a list of bids from producers that have the ability to start or stop production. Svenska Kraftnät also collaborates with the System Operators in our neighbouring Nordic countries in order to always regulate the balance where it can take place at the lowest price. A similar settlement takes place between the Nordic national grid companies as between Svenska Kraftnät and the balance providers.

A new message format designated UTILTS was introduced on 1 July 2009. The introduction of the message format was defective and caused problems for many of the actors in the electricity market, including Svenska Kraftnät. The consequence was that the financial settlement was substantially delayed during autumn 2009.

According to the Power Reserve Act, Svenska Kraftnät is responsible for ensuring that a capacity reserve of at most 2,000 MW is available during the winter. The reserve contributes to managing electricity supply even during extreme situations that can arise in extremely cold weather conditions. The capacity reserve is financed by a special fee that is paid by the balance providers. The cost of the capacity reserve to the Group during the year amounted to SEK 72 (97) million. Severe cold causes Svenska Kraftnät to activate the capacity reserve for balance reasons for the first time on 17 December.

The financial result for the business segment concerned with System Operator electricity was:

SYSTEM OPERATOR ELECTRICITY (MSEK)	2009	2008
Operating revenue	**3,351**	3,806
Operating expenses	**-3,291**	-3 ,877
OPERATING INCOME	**60**	-71

Operating revenue decreased by SEK 455 million or 12% compared with 2008 and amounted to SEK 3,351 (3,806) million. Revenues for sold balance power decreased by SEK 428 million compared with last year, which is mainly due to the lower price of electricity during the year.

Revenues from the balance providers for the capacity reserve amounted to SEK 83 (111) million. These revenues are accounted during the winter months. The costs of the capacity reserve arise during the winter months as the agreements with suppliers are for one year.

Operating income amounted to SEK 60 (-71) million. The improved result in 2009 is primarily due to lower expenses for primary regulation of SEK 114 million. The operating margin was 1.8%, which is an improvement of 3.7 percentage points compared with last year.

The financial result should be assessed as an average over a period of several years. Further information is available in note 8. Investments within System Operator for electricity amounted to SEK 32 (37) million.

RENEWABLE ELECTRICITY CERTIFICATES

Sweden introduced an electricity certificates system in 2003 to promote renewable electricity generation. Svenska Kraftnät is responsible for issuing and accounting for electricity certificates. Other official tasks are dealt with by the Swedish Energy Agency.

During 2009 Svenska Kraftnät issued 15.5 (14.9) million electricity certificates. Some 30 million electricity certificates were put into circulation during the year at an average price of about SEK 293 per certificate. Since the introduction of the system some 84 million certificates have been issued.

The type of production that is entitled to cer-

tificates that has enjoyed the highest percentage increase during the year is wind power. The proportion has increased from 13.3 % during 2008 to 16.0% during 2009. Electricity generated from biofuels has accounted for approx. 68.2% of production entitled to certification and hydro power for approx. 15.8%.

Operating revenue for the year amounted to SEK 6 (10) million. Operating income amounted to SEK 2 (5) million.

The extent of the fees and charges is determined by the Government. Fees and charges were lowered on 1 January 2009 on Svenska Kraftnät's proposal. The account fee was reduced from SEK 0.13 to SEK 0.07 per certificate.

RENEWABLE ELECTRICITY CERTIFICATES (MSEK)	2009	2008
Operating revenue	6	10
Operating expenses	-4	-5
OPERATING INCOME	2	5

R&D ACTIVITIES

Svenska Kraftnät shall contribute to and support technical research, development and demonstration within the fields of electricity transmission and electricity distribution. Svenska Kraftnät's research and development activities aim at improving the national grid and system operations with respect to reliability, efficiency and environmental compatibility. Development of knowledge and expertise in conjunction with universities and colleges is also a prioritised area.

Research and development is also supported within the fields of dam safety and risk and vulnerability issues for the power system. Svenska Kraftnät often undertakes research and development in collaboration with companies in the industry via the jointly owned Elforsk AB.

Svenska Kraftnät is also joint owner of the development company Stri AB in Ludvika. Other co-owners are ABB, Statnett and Vattenfall AB. Research and development projects are often carried out in collaboration with the co-owners. In addition a number of joint projects are underway with the Nordic national grid companies.

During 2009 Svenska Kraftnät used SEK 24 (32) million for research and development within the national grid operations including the dam safety. Some of the projects that were conducted during 2009 are described below.

> A method of non-contact temperature monitoring of isolating switches has been built in prototype.
> Further development of power system models for Svenska Kraftnät's power system simulator, Aristo. Besides being used in operator training, the power system simulator is also used for operational analysis and power system studies.
> Nordic network for knowledge and research on Phasor Measurement Units. This new technology can deliver better information on the Nordic network's dynamics, and in the longer term provide a means of control for the networks.
> New techniques for better assessment of status and risk of disruption due to tall trees in powerline corridors have been studied, using two different techniques. The first one uses advanced measuring techniques with lasers. The second method is based on three dimensional photography combined with advanced computerised interpretation.
> Tests are underway to replace lead batteries with fuel cells as auxiliary power for transformer substations. A prospective start for deployment at stations is 2010/2011.
> Support for the universities' Elektra research programme has been extended up to and including 2012. There has also been direct support to universities for certain research projects.
> Support for Vindforsk has been extended up to and including 2012. The principle focus is on the impact of wind power on the network.

INTERNATIONAL COOPERATION

Svenska Kraftnät is working to further integrate and harmonise the Nordic electricity market and electricity networks, as well as further development of electricity market cooperation within Europe with the aim of promoting an internal market for electricity.

The international work has taken an important new step through the establishment of the European collaboration organisation ENTSO-E, which was formally set up on 19 December 2008 and started operating in June 2009. In ENTSO-E the European Transmission System Operator (TSOs) companies have created an organisation with a structure similar to that which Nordel had, i.e. with three overall areas for cooperation – market issues, system development and system operation. Work will be conducted in several different working groups, both functional and regional, under each area. The functional groups will address specific areas, for example, market integration, transparency and network development plans, while the regional groups have been instituted to enable various regional issues to be addressed.

THE EU'S THIRD PACKAGE OF LEGISLATION FOR ENERGY

On 25 June 2009 the EU adopted the third package of legislation on the internal market for electricity and gas. The aim of the package is to strengthen the EU's internal market for energy, give the consumers more rights and lower prices, and increase integration and create an equitable competition situation.

The package of legislation includes the following parts.

> Legal and functional distinction (unbundling) between generation/sales of energy and transmission of energy. The aim is to prevent competitive advantages that might otherwise accrue to vertically integrated companies.
> Strengthening of national regulatory authorities, which are assigned greater powers.
> Formation of a European body, ACER[1], to strengthen cooperation between the regulatory authorities.
> Ratification of the formation of ENTSO, for both electricity and gas.
> Various measures to strengthen consumer rights.

In conjunction with the announcement of the third energy package the EU Commission also instituted proceedings against 25 countries, including Sweden, with respect to possible infringement of existing EU legislation[2]. For Sweden's part, the principal question is whether the inter connectors, SwePol Link and Baltic Cable, are being managed in a fully commercial manner. Some observations were also made regarding compliance with the requirement for transparency. Sweden has responded to the observations.

MARKET COUPLING

In recent years market coupling has become a major issue in Europe. Models corresponding to the Nordic model, where flows of power over links and area prices are determined simultaneously through so-called implicit auction[3], are being sought in large parts of Europe. Projects were conducted during 2009 including one called Market Integration Design Project where ERGEG[4] was chair. The project was implemented in close cooperation with ENTSO-E, EuroPEX[5], EFET[6] and Eurelectric, and final presentation was at the Florence Forum in December 2009. Among the results, a target scenario was presented for congestion management and market coupling over a longer perspective (around 2015) and suggestions for how this vision could be achieved.

During 2009 the TSOs in the Nordic region (Sweden, Norway, Finland and Denmark) and Central Western Europe (Germany, France, Belgium, the Netherlands and Luxembourg) have arrived at a joint position that the respective market areas should be integrated through so-called market coupling. Svenska Kraftnät is actively involved in the work that has been initiated in order to realise this ambition.

On 9 November 2009 market coupling, which is operated through EMCC[7], was introduced between Denmark and Germany for the second time. The first time was in September 2008, however, it had to be discontinued due to problems with the calculation algorithm. Plans are now in place to link the Swedish-German Baltic Cable to the coupling mechanism.

COOPERATION WITH STATNETT

A strategic partnership was initiated with Statnett in Norway during 2009 after the initial process for a merger between the companies was shelved. The partnership is within the following five areas.

> Joint network development plan.
> Holding reserves.
> End customer market.
> Coordination of European issues.
> Electricity exchange issues.

Of particular interest is the joint Swedish-Norwegian network development plan. It will be implemented without taking national borders into consideration, and will thus be a good basis for making necessary investments in coordinating and rationalising the national grid. It is not least in the light of the extensive plans for expansion of wind power in both countries that the joint plans are a prerequisite for an effective extension of the network.

The project concerning the end customer

[1] Agency for the Cooperation of Energy Regulators
[2] EU legislation on the internal market for electricity and gas, more specifically Electricity Regulation (1228/2003), Gas Regulation (1775/2005), Electricity Directive (2003/54/EC) and Gas Directive (2003/55/EC).
[3] As distinct from explicit auctions where transmission capacity and energy are traded separately.
[4] European Regulators Group of Electricity and Gas
[5] Cooperative organisation for the European electricity exchanges.
[6] European Federation of Energy Traders
[7] European Market Coupling Company

market will contribute to establishing a common end customer market in Sweden and Norway. An important precondition is similar rules for balance providers and preferably a common balance settlement. Fingrid and Energinet.dk have been invited to join in the work.

RENEWABLE ELECTRICITY PRODUCTION

The EU's climate objectives and the Government's ambitions – expressed through the Swedish Parliament's energy policy decisions in June 2009 – represent substantial driving forces in promoting a change in electricity generation towards more renewable types of energy. Svenska Kraftnät has an important role in facilitating connection of this production to the national grid.

The number of enquiries regarding connection of new wind power facilities to the national grid is successively increasing and during autumn 2008 Svenska Kraftnät initiated a project to produce a guide for connecting power plants in general and wind power plants in particular. The aim of the guide is to provide the various actors with information on how Svenska Kraftnät appraises and processes enquiries regarding connection to the national grid. The document was completed during 2009 and has now been published on Svenska Kraftnät's website.

Together with the three large regional network owners, E.ON Elnät AB, Fortum Distribution AB and Vattenfall Eldistribution AB, for the last few years Svenska Kraftnät has been maintaining and updating a database of the enquiries for network connection of planned wind power plants that are received by each network owner. A summary shows that over 30,000 MW of wind power is planned in Sweden. Not all these projects will be implemented, but the enquiries reveal the major interest in constructing wind turbines that exists in Sweden.

During 2009 Svenska Kraftnät has been involved in many different ways with the aim of facilitating the establishment of wind power and other renewable electricity generation. The Energy Agency has been commissioned by the Government to develop a web-based service – VINDLOV – to make it easier for investors to deal with the permit process for wind power. Svenska Kraftnät has participated in this work. The parent entity has also taken part in a European wind power study, EWIS (European Wind Integration Study), which focuses on the impact that the anticipated expansion of wind power will have on the power system. The study is being financed by the EU and a final report will be published in spring 2010.

VINDFORSK III

Vindforsk is a jointly-funded programme for basic and applied research into wind power. The national Energy Agency funds 50% of the programme's costs. Svenska Kraftnät and a number of energy and industrial companies finance the other half. The programme is planned to run for four years, 2009–2012, with a total budget of around SEK 80 million. The focus of the programme is primarily the technical aspects of wind power and it is divided into the following areas: the wind resource and establishment, cost-efficient wind power facilities and planning, optimum operation and maintenance, wind power in the power system and business intelligence and standardisation. Svenska Kraftnät is involved at both the board level and in one of the steering committees for Vindforsk III. Furthermore, a number of Svenska Kraftnät's staff are contributing valuable knowledge to the projects within Vindforsk III through participation in reference groups.

THE THRESHOLD EFFECT ENQUIRY

Svenska Kraftnät has submitted a proposal on behalf of the Government to draw up amended rules and regulations regarding responsibility for nationally important reinforcements of the national grid and network connection of large electricity generation facilities with the aim of reducing the threshold effects for expansion of renewable electricity production. Svenska Kraftnät submitted the report »Threshold effects and renewable energy« to the Government on 20 April 2009. The Government subsequently commissioned Svenska Kraftnät to submit proposals for necessary constitutional amendments and other measures to enable implementation of the proposal. The commission was presented on 30 October.

Threshold effect refers to the fact that power producers that connect to a network that does not have free capacity are compelled to pay the entire cost of strengthening the network, including additional capacity that the producer is not able to utilize. Those producers who subsequently connect to the network can use this free capacity at no special cost. This is the reason that many producers hesitate in being first to connect to such a network. The problem of the threshold effect has existed for many years, but is once again topical in connection with the anticipated major expansion of wind power.

OTHER ENQUIRIES

Svenska Kraftnät is also conducting a large number of other studies and projects with a bearing on wind power. Numerous studies are being conducted in conjunction with wind power developers and other network owners with the aim of together finding the network connection solutions that are most economic to society.

One important enquiry is the previously mentioned network study that is being conducted in conjunction with Statnett with the aim of clarifying which transmission requirements are needed in the north-south direction (over constraint area 2) to meet the far-reaching plans for wind power expansion in Northern Sweden and Northern Norway. The study is expected to be completed during the first quarter of 2010 and will constitute the basis for making decisions regarding necessary reinforcement measures.

A new connection to Gotland has been referred to under the Investments section. Completion of the ongoing pilot study is expected during the first quarter of 2010.

Markbygden is an area of 450 km² outside Piteå where a wind power output of 2.5–4 GW is planned. The expansion will take place in stages and will require gradual strengthening of the network to manage this level of output. The windfarm is expected to be fully developed in 2018. Studies are underway together with the developer regarding point of connection to the national grid and the requirement for network reinforcements.

A substantial amount of wind power is expected to be connected to Vattenfall's 130 kV network in Bohuslän and Dalsland and will require establishment of a new national grid connection point in the region. Studies are underway into the preconditions for a connection to the 400 kV powerline CL35 in the vicinity of Loviseholm in Dalsland.

There are also plans for a large number of wind power projects in eastern Härjedalen. A network inquiry has therefore been conducted in conjunction with the wind power project engineers, Fortum Distribution and Härjeåns Nät with the aim of finding an optimum solution for connecting the windfarms.

TELECOMMUNICATIONS

Svenska Kraftnät shall operate a cost-efficient, high-security electronic communications network for tele- and data communication. Svenska Kraftnät has constructed a nationwide telecommunications network to monitor and control the national grid, extending from Malmö in the south up to the Norwegian border just south of Narvik in the north.

During the last 15 years Svenska Kraftnät has modernised the network from older technologies in the form of power line carrier and radio link to a modern fibre optic network with high security and a large transmission capacity. There are now only a few remaining sections with radio link and power line carrier technology. The new network has been largely constructed in the sky wires of powerlines. Svenska Kraftnät's telecommunications network currently consists of approx. 7,200 km of its own fibre optic lines and approx. 2,500 km of fiber optic cable that is leased from other network owners.

The fibre optic network is an important element in the protection against major disturbances in the country's electricity system. In order to guarantee reliable operation, the telecom network is provided with back-up in the form of batteries and diesel generators.

During the year the fibre optic network has been extended by 448 km from Letsi-Isovaara to the Finnish border (160 km), from Långbjörn to Bågede (110 km) and from Midskog via Järpströmmen to the Norwegian border towards Nea (178 km).

The high capacity in the telecom network enables Svenska Kraftnät to lease network capacity to external customers. Svenska Kraftnät leases out black fibre (optical fibre without physical terminus equipment) to a number of large telecom operators, among others. In addition, active connections are leased out in the form of capacity to energy companies for their operational communication.

During last year, Svenska Kraftnät commissioned the so-called wavelength division multiplexing system on DWDM platforms in some parts of the fibre optical network. The expansion of the DWDM network is taking place in order to meet the operation's demand for higher transmission capacity. In the next few years there are plans for further expansion of wavelength connections in Svenska Kraftnät's fibre optic network. Besides increased capacity the new technology will also give Svenska Kraftnät greater flexibility to be able to make changes and develop the telecom network without disrupting the sensitive communications for operating and monitoring the national grid.

Moving the head office from Råcksta to the new premises in Sundbyberg entailed careful planning to ensure Svenska Kraftnät's telecommunications- and data operation is maintained. The requirement was that the equipment

TELECOMMUNICATIONS (MSEK)	2009	2008
OPERATING REVENUE		
External	**69**	70
Internal	**54**	54
TOTAL	**123**	124
OPERATING EXPENSES		
External	**-44**	-40
Internal	**-43**	-38
TOTAL	**-87**	-78
OPERATING INCOME		
External	**25**	30
Internal	**11**	16
OPERATING INCOME	**36**	46

that is critical to the operation should be moved to Sundbyberg with no major disturbances for the system operation. This was successfully accomplished as a result of careful planning and great commitment from the staff.

However, during the Christmas holidays a number of disturbances occurred on the fibre optic network, which had an impact on data communications primarily in the interior of Norrland. After manual reconnections and utilisation of free fibre, it was subsequently possible to restore communications in the affected areas.

Operating income consists of revenues from external customers for leasing black fibre and active connections, leasing antenna locations primarily to mobile phone operators, and internal revenues (calculated according to a standard) from the Network business segment.

Revenue earned on commercial telecommunications operations was SEK 58 (61) million and operating income was SEK 37 (40) million. With a calculated interest of 7% on employed capital, the operating profit for the financial year was SEK 29 (29) million. Investments within fibreoptic operations for the year amounted to SEK 62 (30) million.

Within the Telecommunications segment Svenska Kraftnät has additional external revenues amounting to SEK 10 (9) million from leasing of data networks, telephone networks and antenna locations on masts and pylons.

Total revenue for the Telecommunications line of business was SEK 123 (124) million. Included in this is SEK 54 (54) million in internal revenues from the Transmission on the Grid business segment. Operating income amounted to SEK 36 (46) million.

Investments within the Telecommunication operation amounted to SEK 86 (41) million.

SYSTEM OPERATOR – NATURAL GAS

In its role as System Operator, Svenska Kraftnät has the overall responsibility that the balance between the feed-in and outtake of natural gas in Sweden is maintained. This takes place through monitoring the pressure in the transmission network and through measures in conjunction with any imbalances. Agreements with the balance providers regulate the imbalances that arise if the planned feed-in does not correspond to the actual outtake.

Trade between Svenska Kraftnät and the balance providers has increased as a consequence of the metered values reported by the network owners. This has led to increased revenues and expenses compared with 2008. Operating revenue for 2009 was SEK 57 (54) million. The business segments' expenses amounted to SEK 54 (52) million. Operating income increased somewhat to SEK 3 (2) million.

SYSTEM OPERATOR (MSEK)	2009	2008
Operating revenue	**57**	54
Operating expenses	**-54**	-52
OPERATING INCOME	**3**	2

THE FIBRE OPTIC NETWORK IN SWEDEN 2009

The fibre optic network that Svenska Kraftnät has at its disposal transmits important information for monitoring and control of the electrical power system.

SVK FIBRE OPTIC CABLE
PLANNED FIBRE OPTIC CABLE
LEASED FIBRE OPTIC CABLE

CAPACITY TO WITHSTAND SERIOUS DISTURBANCES TO ACTIVITIES THAT ARE IMPORTANT TO SOCIETY

CONTINGENCY PLANNING AND SECURITY

Contingency planning consists of activities to prepare for severe stresses and strains on society in peacetime. The activities are financed through Government appropriations and the they are neutral for Svenska Kraftnät in terms of the accounts.

Prolonged interruptions in the electricity supply constitute a central element in civil contingency planning. Svenska Kraftnät has been specially commissioned by the Government to produce data on whether the the national grid is reasonably dimensioned in relation to the costs to society in the event of extreme situations. The commission was presented to the Government on 2 December 2009 (ref. 2009/1013).

The sector's work to achieve satisfactory reliability and security of supply has the aim of establishing a necessary and general capacity to prevent disturbances, accidents and crises regardless of what is threatening the functioning of the system. The work on reliability and security of supply is subsequently supported by the measures that are taken in accordance with the Power Contingency Act and the Power Contingency Ordinance to plan and implement measures to make the electricity system robust and flexible and thereby reduce the risk of power failures that can represent serious consequences for society.

Socially important parts of systems are constructed with high demands on robustness. There are criteria in conjunction with expansion and operation of the power system for dimensioning and reliability that must ensure dependable function and supply. This entails the power system being dimensioned to deal with loss of one component (powerline, transformer, generating unit etc.) without major disruption.

On the basis of analyses that have been conducted, experiences and assessments, Svenska Kraftnät judges the electricity system as a whole to be robust and durable with respect to the risks and threats that have been identified. The overall capacity in the parts of the systems important for the society to withstand serious disturbances is by and large satisfactory, but does have certain shortcomings. Future developments should be particularly focused on continuing to strengthen and secure the function of various control centres, e.g. by establishing alternative operational sites.

EMERGENCY MANAGEMENT ABILITY

During the year the Svenska Kraftnät public utility has worked to ensure a high level of operational reliability and availability in the systems through internal measures and by supporting actors with responsibility within electricity and gas supply and within the area of dam safety. The aim is that the actors should take appropriate measures to, where possible, prevent disturbances, accidents and emergencies, and when necessary be able to deal with them in a coordinated and effective manner. The objective is that parts of the systems important for the society should be constructed, supported and operated in a robust and resistant way, at the same time as there should be satisfactory contingency planning for repairs and capacity to deal with emergencies.

In November 2009, Svenska Kraftnät submitted a report to the Government and the Swedish Civil Contingencies Agency (MSB) based on the risk and vulnerability analyses from 2008 and 2009, including a capacity assessment (2009/806). The report contained an analysis and account of vulnerable areas, threats and risks that can have a particularly serious impact on the capacity to operate within the area. The report was based on the requirements that are placed on various authorities according to the third section of the Crisis Management and Heightened State of Alert Ordinance (2006:942), Government decision (Fö2008/3567/SSK) and in accordance with the request (2009-9423) from MSB.

Threats and risks to a functioning electricity and gas supply

Svenska Kraftnät has identified threats and risks that can have a serious impact on electricity supply in the country and has analysed risks and vulnerability both in its role as System Operator for electricity and gas, and in its roles as the authority for electricity contingency planning and security and supervisory authority for dam safety. Svenska Kraftnät's focus is thus on security issues for the various plants in the national grid and other facilities in systems that are significant for the country's electricity supply.

Despite the electricity network's built-in durability and conscious security work, it is not possible to entirely eliminate the risk of an extensive power failure occurring. Extensive power failures have hitherto been very rare and it has been possible to rectify them relatively quickly. The risk of more extensive power failures of a longer duration than has been the case thus far can however not be excluded. The risks that are currently deemed to be most serious are technical faults in important plants, protracted disturbances in vital electronic communication systems and interference in or breakdown of operational support systems. The likelihood and consequences of a disturbance can be minimised through systematic prevention and work to increase robustness, and also through satisfactory contingency planning for repairs. During the 2009 financial year Svenska Kraftnät has initiated a project to introduce the nationwide radio communication system Rakel into the crisis and repair management organisation, network control centres and in stations at national grid level and in tracked vehicles.

Resources from the Swedish Armed Forces can be coordinated and combined according to an agreement between the Armed Forces and Svenska Kraftnät, which is responsible for coordinating the electricity industry's needs and contacts with the Armed Forces.

Svenska Kraftnät has cooperated with authorities and organisations involved in the Technical Infrastructure cooperation area.

Svenska Kraftnät has access to back-up management locations that have back-up power as well as the necessary communications. The back-up locations will be supplemented with all the support systems required for long-term viability.

Contingency funds

Svenska Kraftnät has responsibility for allocation of funds for the measures that are implemented according to the Power Contingency Act and that are financed through holders of network concessions paying a fee according to the Electricity Act. During 2009 the measures were financed via the 2:4 Emergency Management Grant within expense area 6, Defence and contingency planning against vulnerability. During 2009 appropriations amounted to SEK 250 million and have been used to finance measures in the sector's plants for electricity supply and for skills development and development of forms of cooperation between companies in the industry. See note 3 Electricity emergency measures.

OPERATIONAL ABILITY

Through its ordinary operational activities Svenska Kraftnät is prepared around-the-clock to immediately take the necessary measures for the electricity system's reliability and to initiate repair activities if the national grid's facilities have been damaged. This is also the basis for otherwise rapidly commencing effective emergency management inputs with the necessary decision-making authority. A review of emergency management plans and procedures is underway.

Susie, the reporting and situation assessment system has been overhauled. The system, which conveys information about electricity failures and the state of damage, has continued to be upgraded and authorities in Nordic neighbouring countries have also been affiliated as observers. The development of a new version of the system is underway. The measures improve the possibilities of appropriating resources as well as streamlining repair inputs.

Special analyses of technical and logistical chains of dependence have been implemented. The operational telephone network has been maintained and a number of additional control centres have been reinforced in terms of communications. Eight mobile command and communication units (MOLOS) are in place and developing them is in progress. The units have been positioned and administered by other companies in the industry.

Additional emergency pylons for the regional network, which can be rapidly erected, along with material and equipment for this, have been procured and stored. A mobile back-up facility (distribution switchyard) intended for large urban areas and a back-up power plant have been procured. A computer-based storage system for emergency equipment is operational. Stored material and equipment is under management. Within the framework of participation in NordBER, aspects of Nordic cooperation have continued to be developed with respect to, among other things, mutual resources support in the form of material and personnel. A joint memorandum of understanding is being compiled with respect to mutual support and will be decided during 2010.

Voluntary organisations' personnel have been trained as drivers of tracked vehicles, command and communication operators and pilots for the electricity supply.

Training exercises – experience and planning

In autumn 2008 Svenska Kraftnät arranged a major exercise for the electricity sector. A total of over 200 people participated in the exercise, which took place over three days. The exercise was conducted in the form of a simulation. The scenario was a severe ice storm striking the coastal area from Sörmland

to Västerbotten. The exercise was evaluated during 2009. The overall conclusion is that the majority of the organisations in the exercise contained a large well-functioning disturbance/crisis organisation that is well prepared for its task. Roles and allocation of responsibilities, as well as procedures seemed, overall, to be well implemented.

Svenska Kraftnät has also contributed to exercises within Swedenergy's cooperation structure between the electricity network companies, named Elsamverkansledning (ESL).

Operational management staff within Svenska Kraftnät and other companies in the industry have been trained and have conducted exercises in dealing with disruptions in the electricity system. In particular the capacity to restore the electricity system's functionality after an extensive power failure has been further developed through training with the support of advanced simulator tools. The task of ensuring communications for remote control of the power system and operational cooperation between control rooms for the operators in the electricity industry can function during a restoration of operations after a widespread, extended period without power.

Contractors and staff employed in companies in the industry have been trained in order to reinforce the capacity to carry out repairs at higher voltage levels in the networks.

Dam safety

Svenska Kraftnät has the commission to review the Government's initiatives for dam safety. Among other things the review entails testing the need for clearer regulation of the dam owners' self regulation, as well as the scope, organisation and requirements for supervision expertise. The work of inspection is underway and reporting of the commission is expected during spring 2010.

A committee for determining flows for dams under conditions of climate change was appointed in 2008 through an agreement between Svenska Kraftnät, Swedenergy, SveMin (principle actors in relation to the guidelines for determination of design flows for dam facilities) as well as SMHI.

The committee's task is to lead a programme to regularly analyse and evaluate the significance of the climate issue for dam safety with respect to flow rates, and to take the initiative in ensuring that studies take place. The assignment includes the issues concerning the impact of the climate on design flows and dam safety that Svenska Kraftnät has been commissioned by the Government to monitor and analyse in conjunction with the power industry, the mining industry and SMHI. The work is being conducted according to a working plan that extends over the years 2008–2011 and which includes;

- a national survey of the vulnerability to climate changes (flow changes) for dams,
- working out of a methodology to take account of climate changes in conjunction with calculating flow dimensions for dams,
- production of a guide for the work of flow dimensioning for dams,
- a discussion of any changes in the risk (probability) of floods in regulated watercourses.

Svenska Kraftnät and Swedenergy have conducted an appraisal of experiences and lessons from trials carried out in the period 2006–2008 with so-called »special inspection« of a number of Swedish dams with particularly major consequences in the event of dam failure. The dam owners have engaged international expertise to undertake the inspections. The inspections have revealed both cases that confirm dam safety and dam safety work at a satisfactory international level and one case where a satisfactory international level has not been achieved.

Contingency planning for dam failure

Development is underway in the power generating rivers with the participation of both dam owner and municipalities and county administrative boards in order to organise and coordinate contingency planning for dam failures. The work is following a model that was prepared in a previous pilot project.

A study of requirements and possibilities for warning the general public in conjunction with dam failures has been implemented and presented in an Elforsk report. The report details the conditions under which a special warning system should be in place, and which currently available systems for warning best comply with the requirements with respect to the need for warning and reliability. For the large rivers with power plants it is proposed that the introduction of special warning systems are coordinated for each watercourse, as an element in the development of coordinated contingency planning for dam failure. To create a more secure basis for the continued development within the area a pilot project has been set up including pilot studies of an entire watercourse in one river.

Svenska Kraftnät's objective is that there should be coordinated contingency planning in the ten large power generating rivers within a few years. Svenska Kraftnät is stimulating the development through partial financing of the contingency planning data for dam failure for each river. Overall the development is deemed to be satisfactory, but it is vitally important that the planning is completed and exercises are conducted in the different rivers.

Svenska Kraftnät has been supporting R&D projects within the area of river and dam safety since 1999. During 2009 support was provided for around ten projects.

Besides supporting selected R&D projects, Svenska Kraftnät has also been supporting the Swedish Hydro Power Centre (SVC) since 2005.

07. SUBSIDIARIES AND ASSOCIATED COMPANIES

The Svenska Kraftnät Group has three subsidiaries and six associated companies in Sweden and Norway.

SUBSIDIARIES

SWEPOL LINK
The company operates and maintains a DC link between Sweden and Poland. The link consists of a converter station outside Karlshamn in Blekinge and a similar converter station on the Polish side outside Slupsk, along with a pylon cable and two return cables between these stations. The link is rated at 600 MW. SwePol Link AB owns the part of the link that is located on Swedish and international territory. A wholly-owned subsidiary of SwePol Link AB, SwePol Link Poland Sp.zo.o., owns that part of the DC link which runs through Polish territory.

Svenska Kraftnät's shareholding is 51% and the Polish company PGE Polska Grupa Energetyczna SA owns 49%.

Turnover during 2009 was SEK 214 (248) million. SwePol Link AB turned over SEK 164 (187) million and the Polish subsidiary SEK 50 (61) million.

SVENSKA KRAFTNÄT GASTURBINER AB
The company is wholly-owned by Svenska Kraftnät and its mission is to operate and maintain gas turbine plants. The business was set up in 1999 so that Svenska Kraftnät could secure resources in the long term for dealing with disturbances in the power system. Today the company has eleven gas turbines in Varberg, Norrköping, Trollhättan, Hallstavik and Göteborg with a combined capacity of 700 MW.

Turnover for the year was SEK 80 (69) million.

SVENSKA KRAFTKOM AB
The company is wholly-owned by Svenska Kraftnät. Since 2003 the company has been non-operational. Turnover during the year amounted to SEK 0 (0) million.

ASSOCIATED COMPANIES

NORD POOL ASA
Nord Pool ASA is an exchange for financial trading for operators in the Nordic electricity market. The head office is situated in Oslo and there are branch offices in Stockholm, Helsinki and Odense.

Svenska Kraftnät owns 50% of Nord Pool ASA and the other 50% is owned by Statnett SF in Norway.

NORD POOL SPOT AS
The physical trading exchange in electricity, the spot market, is conducted via a separate company, Nord Pool Spot AS. The national grid companies Svenska Kraftnät and Statnett SF each own 30% of the company while Energinet.dk and Fingrid Oy each own 20%.

The year's physical trade amounted to 285.5 (297.6) TWh. During 2009 the company turned over NOK 108 (103) million.

TRIANGELBOLAGET D4 AB
The company administers the fibre optic links between Stockholm, Oslo, Göteborg, Malmö and Stockholm on behalf of its partners. Leasing revenues go directly to the partners.

The company is owned in equal shares by Svenska Kraftnät, Vattenfall AB, Fortum Distribution AB and Tele2 AB. The business turned over SEK 23 (23) million during 2009.

KRAFTDRAGARNA AB
The primary task of Kraftdragarna AB is to provide heavy haulage services on behalf of the owners for the transport of transformers, reactors and other heavy components that make up the electricity supply system.

Kraftdragarna AB cooperates with Statnett Transport AS to further strengthen the level of contingency preparedness for the transportation of replacement components.

Svenska Kraftnät owns 50%, Vattenfall AB 25% and Vattenfall Eldistribution AB 25% of the company. Invoicing amounted to SEK 28 (20) million during 2009.

STRI AB
The company conducts research and development within the field of electrical power transmission, primarily on behalf of its partners. The partners are Svenska Kraftnät with 25%, ABB AB 50%, Statnett SF 12.5% and Vattenfall AB 12.5%. The company's invoicing amounted to SEK 77 (74) million.

ELFORSK AB
Elforsk conducts joint activities in the field of research and development (R&D) on behalf of the electrical power sector in Sweden. Svenska Kraftnät is mainly involved within those areas that concern the transmission of electricity and the development of the electricity market. The most important centres of focus are environmental issues, maintenance and the renewal of plants, as well as the provision of support for postgraduate projects.

Svenska Kraftnät owns 25% and the trade association Swedenergy 75% of the company. Turnover during 2009 was SEK 122 (102) million.

SHARE OF INCOME IN ASSOCIATED COMPANIES (MSEK)	2009	2008
Nord Pool ASA	25	1,074
Nord Pool Spot AS	4	-6
Kraftdragarna AB	1	0
Others	1	1
TOTAL	31	1,069

RESULTS

Those associated companies that are part of the Group and that normally have the greatest impact on the Group's 's results are Nord Pool ASA, Nord Pool Spot AS and Kraftdragarna AB. Svenska Kraftnät's share of income in the respective companies is included in the consolidated profit. The profit components for 2009 amounted to SEK 31 (1,069) million. The change in profits is due to the fact that in October 2008 Nord Pool ASA sold its clearing operation, international derivatives trade and consultancy operation to Nasdaq OMX.

08. ENVIRONMENT

Svenska Kraftnät develops the national grid in order to meet society's need for a sustainable electricity supply. It leads to positive environmental effects globally. Expansions in the electricity network enable new facilities for renewable electricity generation to be connected with reduced emissions of greenhouse gases as a result. Reinforcements in the network usually also lead to lower energy losses, which contribute to reducing the burden on the environment.

New installations and refurbishment, along with operation and maintenance of the national grid also inevitably produce a negative impact in the environment. Svenska Kraftnät's objective is to prevent and limit this impact as far as possible. The basis for the environmental work are the EU's and Sweden's environmental goals.

ENVIRONMENTAL MANAGEMENT IS DEVELOPING

Svenska Kraftnät has been pursuing systematic environmental work for many years. In the follow-up that the Swedish National Environmental Protection Agency regularly carries out of Government authorities' environmental management work Svenska Kraftnät has received a high grade for several years in succession. Nevertheless, there is room for improvement. A new model for operational planning has been developed during the year that has improved the prerequisites for integrating the environmental work more effectively into the operation. A developmental project has commenced with the goal of certifying Svenska Kraftnät according to the environmental management standard ISO 14001.

Svenska Kraftnät has the following overall environmental goals.

> Emissions of greenhouse gases caused by operations shall be continuously decreased.
> Stations and powerlines shall be located and designed in an environmentally compatible manner in order to promote the expansion of renewable energy production in the country.
> Hazardous substances shall be successively phased out. Those hazardous substances that are used shall be handled so that they do not leak out into the environment.
> The precautionary principle regarding low-frequency electrical and magnetic fields shall be followed through the application of Svenska Kraftnät's magnetic field policy.
> Biological diversity in the powerline corridors shall be benefited and the habitats of endangered species preserved.

EXCELLENT GREEN PURCHASER 2009

As a large purchaser of contract services, Svenska Kraftnät can make an important contribution to the environment by making environmental demands on the contractors that it engages. Since 1998 environmental requirements are compulsory in all contract procurements.

In March Svenska Kraftnät was awarded the Swedish Environmental Management Council's prize »Excellent Green Purchaser 2009« for having been consistently engaged for a decade in developing systems to take environmental requirements into consideration when procuring construction and maintenance contracts. The jury particularly noted the environmental audits that have been implemented in recent years to check observance of the environmental requirements that have been set. The environmental audits have contributed to stimulating proactive environmental work among the contractors.

TIGHTER ENVIRONMENTAL REQUIREMENTS

A new version of the environmental requirements for contracts has been introduced during the year. Experiences gained from the environmental audits has contributed to further tightening of the environmental requirements and some new requirements have been added. Environmental audits have also been conducted in relation to contracts during 2009, including within forestry maintenance where particular attention has been paid to use of vehicles and machines.

Far-reaching environmental requirements, including on interior fittings, furniture and various services, were also placed on the construction of Svenska Kraftnät's new head office. The building has been classified as a »Green building« according to the EU's standard for energyefficient buildings.

ENVIRONMENTAL MEASURES IN CONJUNCTION WITH POWERLINE CONSTRUCTION

High requirements were set in the Järpströmmen–Nea powerline project between Sweden and Norway on taking the land and the natural environment into account. The natural environment in the area is highly sensitive, with high conservation values and land with a poor load-bearing capacity. A specific programme of environmental measures was drawn up in collaboration with the contractor. Important measures were driving on prepared winter roads and using log mats for heavy machinery in sensitive terrain. Helicopters were used extensively, both for flying out material and personnel and for erecting pylons. Unfortunately, despite all the precautionary measures damage did occur to the ground in a number of sensitive locations. To keep such damage to a minimum in the future, the National Board of Forestry was engaged as an adviser to the contractor on issues concerning damage prevention in sensitive sections.

EMISSIONS OF GREENHOUSE GASES

Svenska Kraftnät's operations shall cause emissions of greenhouse gases that are as low as possible. From 2009 contractors must account for fuel consumption, the proportion of renewable fuel and emissions of carbon dioxide in contracts.

A development project is underway with the aim of increasing the potential for monitoring and reducing transmission losses. Measures to reduce so-called corona losses (caused by discharges into the air from powerlines) have been implemented, however, they have resulted in somewhat lower energy savings than last year.

The gas turbine plants have been utilized to a relatively great extent during 2009 and have contributed to higher emissions of carbon dioxide than in an average year. The primary cause is the long shutdown periods for nuclear power plants. The gas turbines are back-up power plants that are only used when necessary, in conjunction with peak loads and disturbances in the electricity network. Emission rights are purchased equivalent to the carbon dioxide emissions that take place during operation of the facilities.

Work has been underway over a long period to systematically limit the emissions of the greenhouse gas sulphur hexafluoride (SF6), which is used in equipment in switchyards. There is very little leakage. In 2009 SF6 was refilled corresponding to 0.2% of the quantity installed, which is also the average in recent years. Svenska Kraftnät uses the lowest level, up to 0.5% according to the international standard for leakage from new equipment. To reduce the risk of emissions, Svenska Kraftnät has long set requirements on training of personnel who handle SF6 gas. During 2009 Sweden

introduced requirements for certification of employees in accordance with an EU directive. Svenska Kraftnät has contributed financially to training for certification of its contractors. Additional leakage inspections of GIS switchyards have taken place during the year using leak detection cameras. This has enabled some minor leaks to be found and rectified.

ENVIRONMENTAL PRIZE FOR METHOD DEVELOPMENT IN MAINTENANCE

In 2009 Svenska Kraftnät's environmental prize was awarded to two prize-winners, who shared the award. The jury emphasised two excellent examples of how method development in the everyday maintenance of the national grid's plants can lead to a decreasing environmental burden.

Servicestaden Sverige AB has developed a method for cleaning items such as oil polluted transformers and oil collection pits in switchyards with so-called ultra-clean water. The method, which works entirely without chemicals, has been tested by a number of energy companies.

FLIR Systems AB have developed an IR camera that facilitates detection of even very small leaks of the greenhouse gas sulphur hexafluoride (SF6) from contact breakers and other switchyard equipment. The camera has substantially increased the possibilities of finding leaks of SF6 simply, and while the plant is operational.

COLLECTED INFORMATION ABOUT SPECIES-RICH AREAS

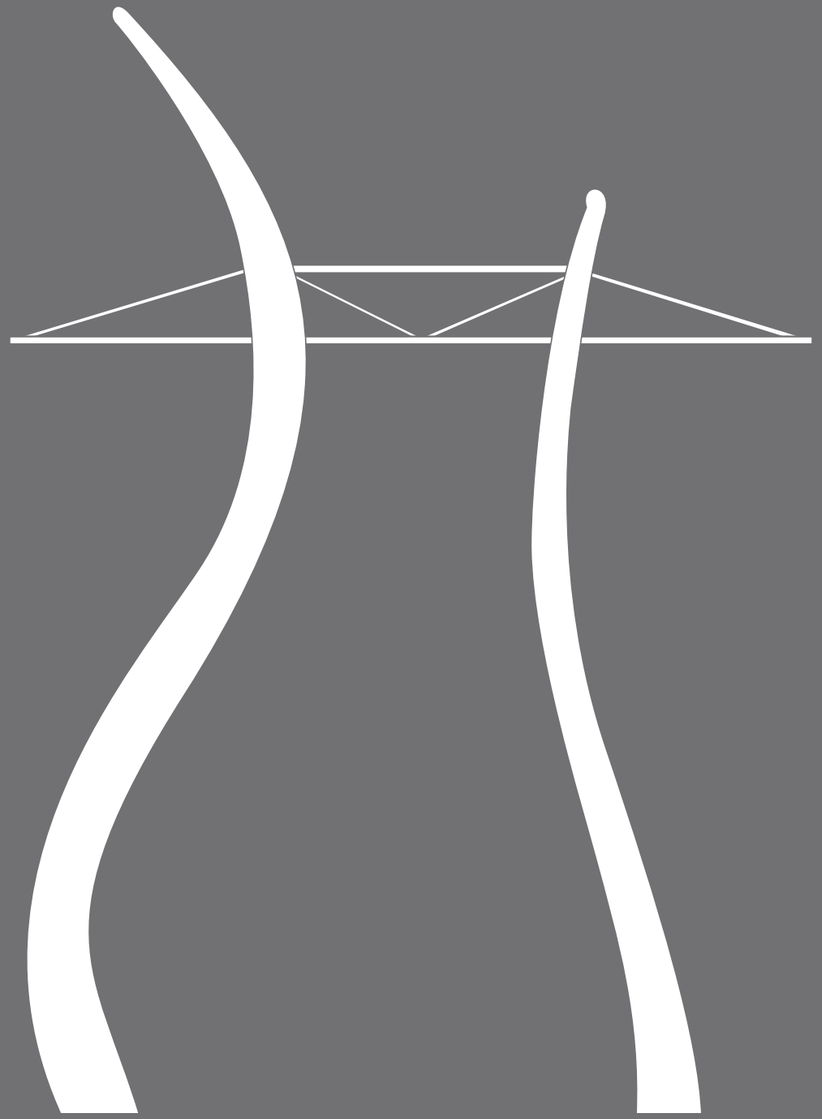
Since 2002 Svenska Kraftnät has identified species-rich areas in the national grid's powerline corridors and conducted inventories of flora, butterflies and other insects. In conjunction with the Swedish University of Agricultural Sciences (SLU) methods have been studied with the aim of adapting the maintenance of valuable biotopes. During 2009 a digital system was developed in order to enable simple management of the extensive information. The system provides collected information on where valuable areas are and where particular consideration should be taken and the maintenance adapted.

»SVENSKA KRAFTNÄT WAS AWARDED THE PRIZE EXCELLENT GREEN PURCHASER 2009«

INTERESTING DESIGN

Sweden's first designer pylon was inaugurated in early November. The pylon is located where the new 400 kV powerline between Järpströmmen and Nea in Norway crosses the E14 just east of Åre. In 2006 the Åre-based artist Anna Cronheden was commissioned to design the pylon, which she called »Asymmetrical togetherness – an attendant relationship«.

Svenska Kraftnät is investing in specially designed pylons and transformer sub-stations in a number of expansion projects. The intention is that the pylons will be regarded as landmarks and attractive elements in the landscape. Station facilities that are located in close proximity to settlements can be designed so that they harmonise better with the surroundings.



09. EMPLOYEES

AN ATTRACTIVE EMPLOYER

Svenska Kraftnät shall be an attractive employer with competent employees who are happy in their work. In an international comparison the utility has a small number of employees in relation to the scope and significance of the operation and it is a knowledge intensive organisation. This requires additional focus on the utility having the correct skills for the roles that entail responsibility in the organisation.

Similarly to many other companies in the electricity industry, Svenska Kraftnät has an age profile with a large number of retirements in the next few years. A structured programme is therefore in place for skills analysis and active transfer of expertise to younger employees. A growing organisation places particularly high requirements on a planned management provision, which also includes a focus on increasing the proportion of female managers. Continued initiatives to ensure a satisfactory working environment and activities to promote good health, gender equality and diversity are important elements in future-oriented skills provision.

During 2009 the increased rate of investment has had a considerable effect on skills provision. The rate of recruitment has increased substantially, as has the requirement for all employees to develop their expertise. A shortage of resources has arisen within a number of specialist technical fields.

The number of full-time employees in the Group at year-end was 325 (305) of whom 230 (215) were men and 95 (90) women. Staff turnover amounted to 5.3 (8.1)% including retirement. Sick leave during the year was 1.6 (2.2)%. The average age within Svenska Kraftnät is 45 (47). Distribution according to age and gender is shown in the table on the next page.

A total of 50 employees are due to retire from Svenska Kraftnät within the next five years. It is worth noting the even gender distribution among the younger employees.

SKILLS PROVISION – GOALS AND OUTCOMES DURING 2009

Svenska Kraftnät has focused its skills provision work in four target areas during 2009; skills planning, work environment and health, gender equality and diversity and leadership.

SKILLS PLANNING

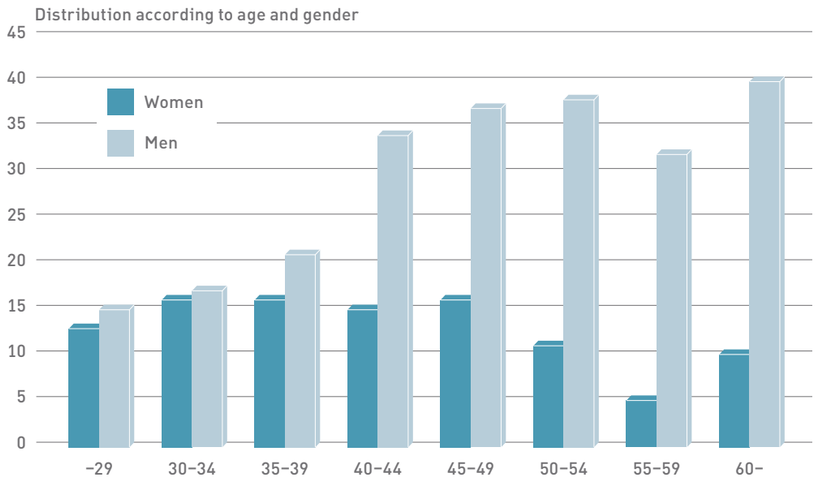
- Each employee shall have a personal development plan based on a fundamental skills analysis.
- Svenska Kraftnät shall work actively to ensure a planned transfer of experience from older to younger employees.
- Staff turnover will be decreased to under 5%.
- Collaboration with selected universities and upper secondary schools will continue.
- Age distribution will increase through the recruitment of younger academics.
- The number of employees who change jobs internally (job rotation) will increase to 20.

WORK ENVIRONMENT AND HEALTH

- Sick leave will be reduced to under 2.2%.
- The proportion of long-term healthy employees will increase to 62%.
- There shall be no work-related illnesses .
- All long-term sick shall return to work.

GENDER EQUALITY AND DIVERSITY

- The proportion of female employees will increase to 30% and the proportion of female managers to 25%.
- Svenska Kraftnät shall be regarded both as an organisation that offers equal opportunities and as a very good employer for the parents of young children.
- Ethnic and cultural diversity shall be promoted, e.g. through recruitment.



LEADERSHIP

> A management programme for all managers shall commence during the year.
> A programme to produce future managers shall be implemented during the year.
> The proportion of female managers shall increase to over 25%.

During 2009 40 employees were recruited with conditional tenure, 13 of whom were women and 27 men. The average age of these new employees is 38 (36). Staff turnover has decreased and the number of employees who have left the organisation is 4 (13). 13 (12) employees have ended their employment due to retirement and 22 (17) employees have changed unit or department within the company. Eight employees have left Svenska Kraftnät during the year in connection with the sale of Åsbro Kursgård in Närke.

During the year six trainees completed their programmes, two of whom are women and four men (three certified engineers, one environmental scientist, one economist and one systems analyst), and took up their permanent positions.

The proportion of female staff remains at the same level as last year, just over 29 (29)%. The proportion of female managers has increased somewhat to 30 (23)% at year end.

Svenska Kraftnät has continued its focus on creating a healthy and safe workplace. Absence due to illness is at a low level and in comparison with last year has decreased to 1.6 (2.2)%.

The proportion of long-term sick leave (longer than 60 days) is very low, 0.6 (1.1)%, which has had a significant positive effect on total sick leave. 60 (60)% of the staff have not had one single day of sick leave during the course of the year. At the end of the year none of Svenska Kraftnät's full-time employees was sick on a long-term basis. The physical work environment in the head office in Sundbyberg is open and modern and contributes to good communication and spontaneous meetings.

A large proportion of Svenska Kraftnät's operation is conducted through contracts in the form of building contracts and maintenance work on powerlines and stations. Both Svenska Kraftnät and the contractors are responsible that a satisfactory, safe work environment prevails on site. From 1 January 2009 more stringent rules apply in conjunction with construction and installation work and during the year Svenska Kraftnät has conducted extensive training of the employees who are affected by the new rules on construction site environments. The controlling document »Systematic work environment management« has been updated during the year.

During the course of the year Svenska Kraftnät has invested SEK 15,000 per employee in external development activities. The parent

SICK LEAVE (%)	–29	30–49	+50	TOTAL
Women	2.7	3.3	1.3	**2.7**
Men	1.5	1.0	1.3	**1.1**
TOTAL	1.9	1.8	1.3	**1.6**

entity concluded a management programme for new managers and started a new one, and also concluded a programme for prospective managers.

Almost all employees have had at least one performance appraisal during the year, which has also included a record of the need for development. At the start of the year Svenska Kraftnät presented the results of a skills inventory, which identified the need for technical specialists.

An annual analysis is made of the experience and expertise of employees who are due to finish working at Svenska Kraftnät over the next five-year period. This task entails compiling what types of knowledge are of critical importance to the business and which must be transferred to other employees in some form. During 2009 some fifty employees have made plans for this type of skills transfer.

The gender equality plan has been updated during the year. Svenska Kraftnät endeavours to be a company that offers equal opportunities and a is good employer for the parents of young children. Through the magazine Veckans Affärer Svenska Kraftnät took part in a comprehensive survey into gender equality. The results showed that Svenska Kraftnät is one of the most modern companies in the field.

During the year Svenska Kraftnät has taken part in four careers fairs and also acted as supervisor for four engineers in their degree projects.

GOALS FOR SKILLS PROVISION 2010

The increasing rate of investment will have a major effect on skills provision this year too. Svenska Kraftnät's staff should perceive that their resources are used effectively and that the operation is run with a high level of expertise, quality and method. Svenska Kraftnät shall therefore further develop methods for skills analysis to ensure that the organisation has the correct expertise, especially in the light of technological developments, new external demands and large numbers of retirements. Svenska Kraftnät will focus its work for 2010 within the following target areas:

> Skills planning
> Work environment, electrical safety and health
> Gender equality and diversity
> Leadership
> Vision and values.

SKILLS PLANNING

There will be a high rate of recruitment along with a major need for all staff to develop their own skills. A skills analysis will be implemented on an annual basis and followed up at departmental, unit and individual level. The analysis shall also focus on future management provision and the development of specialists, as well as the need to increase participation in the European work. It is also based on the effect of a large number of retirements. Svenska Kraftnät must also be active at upper secondary schools and universities in order to secure new generations within the electricity industry.

Goals for 2010:

> Each department, unit and employee shall have a personal development plan based on a fundamental skills analysis.
> Svenska Kraftnät shall work actively to secure a planned transfer of experience from older to younger employees.
> The trainee programme shall be developed towards a content that is more international and aimed towards the world at large.
> A model for staff exchanges with other national grid companies shall be developed.
> Staff turnover shall decrease to under 5%.
> Collaboration with selected universities and upper secondary schools will continue.
> Age distribution will increase through the recruitment of younger academics.
> The number of employees who change jobs internally (job rotation) will be in excess of 20.

WORK ENVIRONMENT AND HEALTH

During the year Svenska Kraftnät will continue to focus on creating a healthy and safe workplace. The physical work environment shall maintain a very high standard and stimulate communication and spontaneous meetings.

During the year Svenska Kraftnät will continue to work with training, routines and follow-up of work environment issues in investment projects and the maintenance operation.

To ensure that the level of electrical safety is maintained special electrical safety audits will be implemented during the year. Training in electrical safety will be held with those employees who undertake work assignments that involve electrical safety.

Fitness activities will be both preventive and remedial and will lead to a reduction in absence due to sickness and a consequent increase in attendance at work. A clearly articulated goal is that no employees should be sick on a long-term basis.

Goals for 2010:

> Sick leave will be less than 2%.
> All long-term sick shall return to work

- The proportion of long-term healthy employees will increase to 62%.
- Work-related absence shall be prevented and where it occurs shall be rectified immediately.
- Two specifically electrical safety audits shall be implemented. These audits will be implemented in both investment and maintenance projects.
- All coordinators of the work environment on construction sites shall undergo the necessary training.

GENDER EQUALITY AND DIVERSITY

Svenska Kraftnät will take active measures to promote both gender equality and diversity. The large number of retirements will facilitate active recruitment of both female staff and employees from other cultures. Svenska Kraftnät shall also be regarded as a good employer for the parents of young children.

Goals for 2010:

- The proportion of female employees will increase to 30%.
- Svenska Kraftnät shall be regarded both as an organisation that offers equal opportunities and as a very good employer for the parents of young children.
- Ethnic and cultural diversity shall be promoted, e.g. through recruitment.

LEADERSHIP

First-rate, clear leadership is an important prerequisite in creating an attractive place to work. Svenska Kraftnät must actively develop its managers, but also ensure that it produces a good supply of managers for the future.

Goals for 2010:

- A management programme for both the management team and unit managers shall commence during the year.
- A preparatory management programme shall be implemented during the year.
- The proportion of female managers shall increase to over 30%.

VISION AND VALUES

A distinct and clearly formulated fundamental value is of major benefit to the operation. The image of Svenska Kraftnät both internally and externally towards the world at large is clarified and gives every employee support in how to act and perform at work and in different situations. A process of renewing Svenska Kraftnät's basic values has commenced. The work has been delegated and is taking place in conjunction with all employees. Svenska Kraftnät's revised fundamental values will be established during 2010.

Regular employee surveys provide Svenska Kraftnät with information on how well it is living up to being an attractive employer in which employees feel involved, are content, participate and perform satisfactorily.

GOALS FOR SKILLS PROVISION 2011–2012

The substantially increased rate of investment and high level of retirements will continue to have an impact on skills provision in the coming years. Svenska Kraftnät must therefore actively recruit technical specialists. Svenska Kraftnät will also stimulate the recruitment of younger academics and increase the proportion of women and female managers, primarily in the engineering departments. The need for effective skills planning will increase. An employees survey will be implemented during 2011.

THE INCENTIVE PROGRAMME

The purpose of Svenska Kraftnät's incentive programme is to create involvement in order to achieve a high level of reliability, a sound financial result, good cost effectiveness and a well-functioning organisation. In 2009 there were also sub-goals for project activities and training.

The programme covers all employees apart from the Director General, whose financial conditions are determined by the Government. The incentive programme is structured so that the maximum bonus is one month's salary. The outcome for 2009 was 65% of a monthly salary. The allocation for 2009 is SEK10.0 (10.2) million, including national insurance expenses.

ELECTRICAL SAFETY

A high level of electrical safety is one of the cornerstones within Svenska Kraftnät. The goal is that there shall be no accidents caused by electricity within Svenska Kraftnät and its plants. During the last decade Svenska Kraftnät has been spared this type of accident. The excellent statistics are down to profound safety consciousness in both the corporate management and among the employees. The plants are designed and built to minimise risks of accidents in conjunction with work in the plants, and maintenance work is planned carefully to avoid any accidents occurring. The public must also feel safe when they are in the vicinity of Svenska Kraftnät's plants. Neither should the public need to be worried about children or pets getting into Svenska Kraftnät's switchyards.

During the past year some 6,000 jobs were carried out in and adjacent to Svenska Kraftnät's plants and no electric accidents were reported. However, one person employed by a contractor met with a mechanical accident in connection with maintenance of a powerline in Uppland that belongs to Svenska Kraftnät. The accident is not regarded as an electrical safety accident. The contractor has submitted a report on the accident to the Swedish Work Environment Authority.

During the year Svenska Kraftnät decided to strengthen the electrical safety organisation in order to adapt it better to the increased volume of work in conjunction with the increased rate of investment. A full-time post was appointed from the turn of the year 2009/2010 for coordination of electrical safety work.

In conjunction with the rest of the electricity industry Svenska Kraftnät has adapted the guidelines for connection of powerlines after faults as a consequence of alterations in the National Electrical Safety Board's regulation.

During 2009 Svenska Kraftnät has also executed two jobs using the working method »Live Working«. The method turned out to work well and in coming years will be used more frequently within Svenska Kraftnät. This is due to increasing difficulties in finding opportunities for planned interruptions.

To ensure that a high level of electrical safety is maintained specific electrical safety audits will be implemented next year. Training in electrical safety will be held with those employees who undertake work assignments that involve electrical safety.

SEVEN YEAR REVIEW FOR THE GROUP

INCOME STATEMENT (MSEK)	2009	2008	2007	2006	2005	2004	2003
Operating revenue	**6,851**	7,717	6,326	6,838	5,885	5,335	5,633
Operating revenue excluding depreciation	**-5,881**	-6,328	-4,941	-5,581	-4,445	-4,201	-4,717
Depreciation	**-613**	-585	-590	-569	-558	-537	-527
Share of income in associated companies	**31**	1 069	69	48	30	23	19
OPERATING INCOME	**388**	**1,873**	**864**	**736**	**912**	**620**	**408**
Financial items	**-7**	-67	-127	-55	-29	-67	-118
INCOME AFTER FINANCIAL ITEMS	**381**	**1,806**	**737**	**681**	**883**	**553**	**290**
Tax on income for the year	**-6**	-3	-5	-5	-3	-15	1
NET INCOME FOR THE YEAR	**375**	**1,803**	**732**	**676**	**880**	**538**	**291**
BALANCE SHEET (MSEK)							
Intangible fixed assets	**284**	259	226	224	207	171	132
Tangible fixed assets	**9,782**	8,893	8,549	8,545	8,655	8,916	9,081
Financial fixed assets	**347**	1,528	467	416	391	372	364
Inventories	**88**	89	93	89	73	69	71
Current receivables	**1,023**	842	995	718	776	681	677
Liquid funds	**130**	104	51	59	264	120	99
TOTAL ASSETS	**11,654**	**11,715**	**10,381**	**10,051**	**10,366**	**10,329**	**10,424**
Equity	**7,501**	8 ,159	6,832	6,539	7,435	6,892	6,664
LONG-TERM LIABILITIES							
Interest-bearing	**1,835**	1,621	1,616	1,960	1,333	2,423	2,667
Non-interest-bearing	**424**	421	444	477	505	111	112
Provisions	**548**	392	361	253	240	220	195
CURRENT LIABILITIES							
Interest-bearing	**82**	98	98	98	98	128	127
Non-interest-bearing	**1,264**	1,024	1,030	724	755	555	659
TOTAL EQUITY AND LIABILITIES	**11,654**	11,715	10,381	10,051	10,366	10,329	10,424
KEY BUSINESS RATIOS							
Return on adjusted equity after tax (%)	**4.3**	19.8	8.9	7.9	10.1	6.2	3.5
Return on total capital (%)	**3.5**	17.0	8.6	7.3	8.9	5.8	3.9
Return on capital employed (%)	**4.5**	21.6	10.7	9.0	10.8	6.7	4.6
Equity/assets ratio (%)	**57.2**	60.9	58.8	58.5	62.8	59.2	57
Operating margin (%)	**5.7**	24.3	13.7	10.8	15.5	11.6	7.2
Net profit margin after tax (%)	**4.0**	16.8	8.3	7.1	10.8	7.0	3.7
Capital turnover ratio (%)	**58.6**	69.8	61.9	67.0	56.9	51.4	53.1
Debt/equity ratio (%)	**33**	28	33	38	22	43	49
Self-financing level (times)	**0.7**	1.6	2.1	2.8	4.4	2.6	2.0
Interest coverage level (times)	**13.3**	25.7	6.1	12.4	21.5	7.6	3.3
OTHER							
Internally allocated funds (MSEK)	**983**	1,347	1,373	1,225	1,417	1,089	844
Net liability (MSEK)	**2,220**	2,007	2,024	2,252	1,407	2,651	2,897
Investments (MSEK)	**1,527**	963	596	478	338	410	411
Dividend paid to the Government (MSEK)	**1,172**	476	439	1,573	337	309	356
Average no. of employees	**317**	295	289	282	277	269	261
Energy supplied to the national grid (TWh)	**104.4**	115.0	120.5	119.8	127.7	123.5	117.7
Energy extracted from the national grid (TWh)	**101.7**	112.1	117.7	117.3	124.5	120.7	115.2
Energy losses (TWh)	**2.7**	2.9	2.8	2.5	3.2	2.7	2.5

10. FINANCIAL REPORTS

INCOME STATEMENT – THE GROUP (MSEK)

OPERATING REVENUE	NOTE	2009	2008
Network revenue	1	3,103	3,478
System Operator revenue – electricity	2	3,351	3,806
Telecommunications revenue		69	70
System Operator revenue – natural gas		57	54
Renewable electricity certificates		6	10
Government grant for power contingency planning	3	220	261
Activated work for own account	4	45	38
TOTAL OPERATING REVENUE		**6,851**	**7,717**
OPERATING EXPENSES			
Personnel expenses	5	-280	-259
Purchase of loss power		-807	-871
Purchased balancing power		-2,947	-3,398
Other operating expenses	6	-1,847	-1,800
Depreciation of tangible and intangible fixed assets	13,14	-613	-585
TOTAL OPERATING EXPENSES		**-6,494**	-6,913
Share of income in associated companies	7	31	1,069
OPERATING INCOME	8	**388**	1,873
RESULT FROM FINANCIAL INVESTMENTS			
Result from other securities and receivables that are fixed assets	9	11	-1
Interest income and similar income items	10	13	7
Interest expenses and similar expense items	11	-31	-73
INCOME AFTER FINANCIAL ITEMS		**381**	1,806
Tax on income for the year	12	-6	-3
NET INCOME FOR THE YEAR		**375**	1,803
Income attributable to:			
The Government		376	1,803
Minority interests		-1	0

COMMENTS ON INCOME STATEMENT

OPERATING REVENUE AND EXPENSES

The Svenska Kraftnät Group's operating revenue amounted to SEK 6,851 (7,717) million, a decrease of SEK 866 million.

The Group's network revenue decreased by SEK 375 million compared with the previous year. The revenue trend in 2009 was affected by the lower electricity consumption in the country. Congestion revenues decreased during the year and amounted to SEK 289 million compared with a total of SEK 820 million last year. Energy dependent revenues from transmissions on the national grid also decreased during the year and totalled SEK 1,128 (1,292) million due to 9% lower transmission on the grid. The fixed part of the power fee tariff was raised on the first of January 2009 to cover the increased operational expenses and the revenues thereby also increased by some SEK 400 million. A temporary decrease in the power fee in November and December 2008 reduced network revenues for the year by SEK 180 million.

System Operator revenue for electricity amounted to SEK 3,351 million, which is a decrease of SEK 455 million. Balancing power revenue decreased by SEK 456 million compared with last year due to the lower electricity price during 2009. The telecommunications operation's external income amounted to SEK 69 (70) million. System Operator revenue for natural gas was SEK 57 (54) million. The increase in revenue is due to increased trade between Svenska Kraftnät and the balance providers.

During 2009 contingency planning has utilised SEK 220 (261) million, financed by appropriations. Last year the operation was financed by appropriations of SEK 255 million, SEK 5 million in grants from the Swedish Emergency Management Agency and SEK 1 million from the National Post and Telecom Agency.

Management of renewable electricity certificates produced revenues of SEK 6 (10) million. The Government sets the fees and they are regulated through the ordinance (2003:120) on renewable electricity certificates.

The Group's operating expenses amounted to SEK 6, 494 (6,913) million. Staff expenses increased by SEK 21 million to SEK 280 million as during the year the number of full-time employees increased by 21. Expenses for purchase of power losses amounted to SEK 807 million, which is a decrease of SEK 64 million as a result of lower input into the national grid from Northern Norrland. Expenses for balancing power decreased by SEK 451 million primarily as a consequence of the generally lower electricity prices during 2009. Expenses for energy compensation for nuclear power plants were some SEK 100 million lower, which is explained by the fact that 5-6 of them have been out of operation during the latter half of 2009. Costs for countertrade on behalf of the national grid increased during the fourth quarter by some SEK 200 million. This was caused by the two cold spells in December when a number of the nuclear power plants were still not operational. To avoid exceeding the transmission capacity Svenska Kraftnät had to activate reserve power in Southern Sweden and also import from Denmark and Germany.

Depreciation of tangible and intangible fixed assets increased by SEK 28 million and amounted to SEK 613 million.

OPERATING INCOME

Operating income for the Group deteriorated by SEK 1,485 to SEK 388 million. Operating income includes external revenue and expenses and the profit/loss from associated companies. The Group's operating income includes depreciation and write-downs.

The predominant business segment in Svenska Kraftnät's operations is Electricity Market activities, which includes Transmission on the national grid. Operating income for the year for Transmission on the national grid amounted to SEK 256 (822) million. The lower earnings are largely due to lower congestion revenues and increased expenses for counter-trade during the year. Some items concern both the lines of business Network and System Operator electricity. Costs that it has not been possible to attribute to a single line of business have been allocated on a standard basis between the two lines of business.

The line of business System Operator electricity generated a profit of SEK 60 (-71) million. The improvement in earnings is mainly due to lower expenses for primary regulation with lower electricity prices during the year. The line of business Renewable electricity certificates operating income decreased by SEK 3 million to SEK 2 million due to reduction in the fee for 2009.

Operating income from telecom operations was SEK 36 (46) million. The deterioration in earnings is due to increased depreciation and more leased capacity. Trade increased within System Operator natural gas and operating income increased by SEK 1 million to SEK 3 million.

The Group has an equity interest in six associated companies and Svenska Kraftnät only includes its own share of the profit/loss in the results of the respective company in its accounts. The profit components for 2009 amounted to SEK 31 (1,069) million. Last year the profit components were affected by the fact that Nord Pool ASA sold its clearing and consultancy operation during the year to OMX AB and disposed of its shares in the German electricity exchange EEX. The sales had an effect on Svenska Kraftnät's operating results of SEK 1, 034 million.

The operating margin for the Group amounted to 5.7 (24.3)%, which is 18.6 percentage points lower than last year.

NET FINANCING

The Group's net financial income/expense amounted to SEK -7 (-67) million, which is an improvement of SEK 60 million compared with 2008. The result from other securities and receivables that are fixed assets amounted to SEK 11 (-1) million. It has been positively affected during the year as a result of favourable of exchange rate differences of SEK 9 million compared with 2008.

The Group's interest income amounted to SEK 13 million, which is SEK 6 million higher than last

year. During the second quarter of 2009 Svenska Kraftnät had a positive cash balance which produced increased interest income. The Group's interest expenses and similar items amounted to SEK 31 million, a decrease of SEK 42 million. The fall in interest expenses is chiefly due to lower interest-rate levels on the Group's loans. The interest coverage ratio amounted to 13.3 (25.7).

NET INCOME FOR THE YEAR
Consolidated net income amounted to SEK 375 (1,803) million, which is 1,428 million lower than in 2008. The result means a return on adjusted equity of 4.3 (19.8)%.

COMMENTS ON BALANCE SHEET

BALANCE SHEET TOTAL
The consolidated balance sheet total amounted to SEK 11,654 (11,715) million, which is a decrease of SEK 61 million.

FIXED ASSETS
Svenska Kraftnät's intangible fixed assets consist of land rights, rights of use for fibre optic cables, licences and capitalized expenditure for computer programs. The book value of these is SEK 284 (259) million. The increase is due to the fact that investments in computer programs of SEK 46 (43) million, including a new settlement system, are greater than depreciation for the year.

The tangible assets consist primarily of power cables, stations, buildings and land, fibre optic connections and other technical facilities and construction in progress. The value of the tangible assets amounted to SEK 9,782 (8,893) million, which is an increase of SEK 889 million. Net investments during the year have been SEK 914 million higher than depreciation.

The other fixed assets consist of participations in associated companies, long-term receivables from associated companies and income taxes recoverable. Participations in associated companies amounted to SEK 276 (1,466) million. During the year, the parent entity received a dividend of SEK 1,358 (42) million from Nord Pool ASA, which reduced the Group's participations in associated companies.

CURRENT ASSETS
Current assets amounted to SEK 1,241 (1,035) million. The increase mainly relates to a higher level of accounts receivable and accrued income. Accounts receivable were low on 31 December 2008 due to the temporary decrease in the power fee for November and December. Liquid funds amounted to SEK 130 (104) million at year end, an increase of SEK 26 million.

EQUITY
Equity in the Group at year-end was SEK 7,501 (8,159) million, of which SEK 3,543 (4,200) million consisted of retained earnings. During the course of the year, SEK 1,172 (476) million has been distributed to the owners. Net Group profit for the year amounted to SEK 375 (1,803) million.

LONG-TERM LIABILITIES
The Group's long-term interest-bearing liabilities consist of the parent entity's loans with the National Debt Office of SEK 1,033 (573) million and SwePol Link's bank loans of SEK 802 (1,048) million. The interest-bearing borrowing requirements in the Group thereby increased during 2008 by SEK 214 million. The average interest on the loans for the Group has been 1.7 (4.2)%.

Advance payments from customers within fibre optic operations amounted to SEK 83 (94) million. The agreement periods vary from 15 to 25 years and the advance payments are taken up as income during this period.

The level of the net loan debt decreased by SEK 205 and amounted to 2,212 (2,007) million. The increase is primarily due to the fact that the Parent Entity has increased its borrowing by SEK 460 million. This had an impact on the debt/equity ratio, which increased dur ity ratio, which increased during the year to 33 (28)%.

BALANCE SHEET – THE GROUP (MSEK)

ASSETS	NOTE	2009-12-31	2008-12-31
FIXED ASSETS			
Intangible fixed assets	13	**284**	259
Tangible fixed assets	14	**9,782**	8,893
Shares and participations in associated companies	16	**276**	1,466
Long-term receivables		**62**	55
Income taxes recoverable		**9**	7
TOTAL FIXED ASSETS		**10,413**	10,680
CURRENT ASSETS			
Inventories		**88**	89
Current receivables	17	**445**	338
Prepaid expenses and accrued income	19	**578**	504
Liquid funds		**130**	104
TOTAL CURRENT ASSETS		**1,241**	1,035
TOTAL ASSETS		**11,654**	11,715
EQUITY AND LIABILITIES			
EQUITY REFERABLE TO OWNERS			
Government capital		**600**	600
Other paid-up capital		**3,314**	3,314
Retained earnings including net income for the year		**3,543**	4,200
THE GOVERNMENT'S CAPITAL		**7,457**	8,114
MINORITY INTERESTS		**44**	45
TOTAL EQUITY		**7,501**	8,159
LONG-TERM LIABILITIES			
Interest-bearing liabilities	20	**1,835**	1,621
Non-interest-bearing liabilities		**424**	299
Advance payments from customers		**83**	94
Deferred tax		**32**	28
Provisions for pensions	21	**425**	392
Other provisions		**8**	-
TOTAL LONG-TERM LIABILITIES		**2,807**	2,434
CURRENT LIABILITIES			
Interest-bearing liabilities	22	**82**	98
Accounts payable		**457**	447
Other liabilities		**79**	53
Accrued expenses and prepaid income	23	**728**	524
TOTAL CURRENT LIABILITIES		**1,346**	1,122
TOTAL EQUITY AND LIABILITIES		**11,654**	11,715
PLEDGED SECURITIES		None	None
CONTINGENT LIABILITIES	24, 25	4	20

CASH FLOW STATEMENT – THE GROUP (MSEK)

THE YEAR'S OPERATIONS	2009	2008
Operating income	388	1,873
Adjustment for items not included in cash flow		
Depreciation	613	585
Other items	12	-1,033
Interest paid	-30	-78
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	983	1,347
CHANGES IN WORKING CAPITAL		
Change in inventories	1	4
Change in current receivables	-181	151
Change in current liabilities	240	-6
CASH FLOW FROM THE YEAR'S OPERATIONS	1,043	1,496
INVESTMENT ACTIVITIES		
Investments in tangible and intangible fixed assets	-1,527	-963
Change in long-term receivables	0	0
Sale of fixed assets	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES	-1,527	-963
FINANCING ACTIVITIES		
Dividend received	1,358	6
Change in interest-bearing liabilities	198	5
Change in other long-term liabilities	125	-28
Advance payments from customers	1	13
Dividend paid	-1,172	-476
CASH FLOW FROM FINANCING ACTIVITIES	510	-480
CASH FLOW FOR THE YEAR	26	53
Liquid assets at the beginning of the year	104	51
Liquid assets at year-end	130	104

COMMENTS ON THE CASH FLOW STATEMENT

The purpose of the Cash Flow Statement is to describe the capacity of the Svenska Kraftnät Group to generate liquid assets and to serve as a complement to the income statement and balance sheet descriptions of profitability and financial position. Liquid assets is understood to be cash and bank balances.

THE YEAR'S OPERATIONS

Cash flow from the year's operations before changes in operating capital decreased by SEK 364 million compared with the previous year and amounted to SEK 983 million . Cash flow from the year's operations amounted to SEK 1,043 (1,496) million. The deterioration is primarily a result of the lower level of operating income.

INVESTMENT ACTIVITIES

Investments made by the Group increased during the year and amounted to SEK 1,527 (963) million. Investments in the parent entity amounted to SEK 1,502 (929) million, SEK 1 (2) million in the subgroup SwePol Link and SEK 24 (32) million in Svenska Kraftnät Gasturbiner AB.

FINANCING ACTIVITIES

The Group's interest-bearing liabilities increased during the year by SEK 198 compared with 5 million in 2008. Interest-bearing liabilities in the parent entity increased by SEK 460 (102) million and in the sub-group SwePol Link external interest-bearing liabilities decreased by SEK 262 (97) million. Svenska Kraftnät Gasturbiner AB's in-Group interest-bearing liability was unchanged at SEK 157 million. SEK 1,172 (476) million has been paid to the Government.

Cash flow for the year amounted to SEK 26 million compared with SEK 53 million in 2008.

CHANGE IN EQUITY – THE GROUP (MSEK)

	REFERABLE TO THE GOVERNMENT					
AMOUNT	GOVERNMENT CAPITAL	OTHER PAID-UP CAPITAL	PROFIT BROUGHT FORWARD INCL. NET INCOME FOR THE YEAR	TOTAL	REFERABLE TO MINORITY INTERESTS	TOTAL EQUITY
OPENING BALANCE 2008	600	3 314	2,873	6,787	45	6,832
Dividend	—	—	-476	-476	—	-476
Net income for the year	—	—	1,803	1,803	0	1,803
CLOSING BALANCE 2008	600	3,314	4,200	8,114	45	8,159
OPENING BALANCE 2009	600	3,314	4,200	8,114	45	8,159
Translation difference			139	139		139
Dividend	—	—	-1,172	-1,172	—	-1,172
Net income for the year	—	—	376	376	-1	375
CLOSING BALANCE 2009	600	3,314	3,543	7,457	44	7,501

PROFIT BROUGHT FORWARD INCLUDING NET INCOME FOR THE YEAR

Profit brought forward including net income for the year, is constituted by profit accrued in the parent entity, in subsidiaries as well as Svenska Kraftnät's share of profits from associated companies. Previous provisions to restricted reserves are included in this capital item. The above statement is compiled as if Svenska Kraftnät were an independent group with formal ownership. Svenska Kraftnät is a public utility and is a part of the Swedish Government.

The allocation of profit proposed in the annual report for 2008 of SEK 1,172 million was adopted by the Government.

» THE RATE OF INVESTMENT INCREASED BY ALMOST 60 % AND AMOUNTED TO SEK 1,527 MILLION «

INCOME STATEMENT – PARENT ENTITY (MSEK)

OPERATING REVENUE	NOTE	2009	2008
Network revenue	1	2,928	3,255
System Operator revenue - electricity	2	3,351	3,806
Telecommunications revenue		69	70
System Operator revenue - natural gas		57	54
Renewable electricity certificates		6	10
Government grant for power contingency planning	3	220	261
Activated work for own account	4	45	38
TOTAL OPERATING REVENUE		**6,676**	**7,494**
OPERATING EXPENSES			
Personnel expenses	5	-279	-258
Purchase of loss power		-807	-871
Purchased balancing power		-2,955	-3,398
Other operating expenses	6	-1,854	-1,807
Depreciation of tangible and intangible fixed assets	13, 14	-465	-439
TOTAL OPERATING EXPENSES		**-6,360**	**-6,773**
OPERATING INCOME		**316**	**721**
RESULT FROM FINANCIAL INVESTMENTS			
Result from other securities and receivables that are fixed assets	9	1,372	56
Interest income and similar income items	10	12	4
Interest expenses and similar expense items	11	-15	-7
INCOME AFTER FINANCIAL ITEMS		**1,685**	**774**

THE PARENT ENTITY, THE SVENSKA KRAFTNÄT PUBLIC UTILITY

Operating revenue for 2009 amounted to SEK 6,676 (7,494) million, of which SEK 46 (34) million pertained to sales to group companies. Income after financial items was SEK 1,685 (774) million. The results have been affected by the dividend from the associated company Nord Pool ASA of SEK 1,358 million.

Investments in tangible and intangible fixed assets during the period amounted to SEK 1,502 (929) million. Liquid assets at the end of the period amounted to SEK 76 (77) million.

The parent entity finances its operations with equity and loans in the National Debt Office. On 31 December 2009 borrowings amounted to SEK 1,033 (573) million and equity to SEK 7,274 (6,761) million.

BALANCE SHEET – PARENT ENTITY (MSEK)

ASSETS

FIXED ASSETS	NOTE	2009-12-31	2008-12-31
INTANGIBLE FIXED ASSETS	13		
Capitalized expenditure for computer programmes		**71**	47
Land rights		**58**	60
Rights of use		**39**	44
Construction work in progress		**116**	108
TOTAL INTANGIBLE FIXED ASSETS		**284**	259
TANGIBLE FIXED ASSETS	14		
Buildings and land		**201**	200
Machinery and equipment		**5,643**	5,593
Construction work in progress		**2,341**	1,381
TOTAL TANGIBLE FIXED ASSETS		**8,185**	7,174
FINANCIAL FIXED ASSETS			
Shares and participations in Group companies	15	**12**	12
Receivables from Group companies		**145**	145
Shares and participations in associated companies	16	**219**	219
Share of equity in associated companies			
Receivables from associated companies		**62**	55
TOTAL FINANCIAL FIXED ASSETS		**438**	431
TOTAL FIXED ASSETS		**8,907**	7,864
CURRENT ASSETS			
INVENTORIES		**4**	4
CURRENT RECEIVABLES			
Accounts receivable		**340**	204
Receivables from Group companies		**41**	34
Receivables from associated companies		**3**	3
Other receivables		**47**	78
Receivables from the public utility's cheque account	18	**34**	34
Prepaid expenses and accrued income	19	**575**	501
TOTAL CURRENT RECEIVABLES		**1,040**	854
CASH AND BANK BALANCES		**76**	77
TOTAL CURRENT ASSETS		**1,120**	935
TOTAL ASSETS		**10,027**	8,799

BALANCE SHEET – PARENT ENTITY (MSEK)

EQUITY AND LIABILITIES

EQUITY	NOTE	2009-12-31	2008-12-31
RESTRICTED EQUITY			
Government capital		**600**	600
Restricted reserves		**3,314**	3,314
TOTAL RESTRICTED EQUITY		**3,914**	3,914
Retained earnings including net income for the year		**1,675**	2,073
Net income for the year		**1,685**	774
TOTAL UNRESTRICTED EQUITY		**3,360**	2,847
TOTAL EQUITY		**7,274**	6,761
PROVISIONS			
INTEREST-BEARING PROVISIONS			
Provisions for pensions	21	**424**	392
NON INTEREST-BEARING PROVISIONS		**8**	-
LIABILITIES			
INTEREST-BEARING LONG-TERM LIABILITIES	20	**1,033**	573
NON-INTEREST-BEARING LONG-TERM LIABILITIES			
Non-interest-bearing liabilities		**6**	0
Advance payments from customers		**83**	94
TOTAL NON-INTEREST-BEARING LONG-TERM LIABILITIES		**89**	94
NON-INTEREST-BEARING CURRENT LIABILITIES			
Accounts payable		**449**	435
Other liabilities		**23**	21
Accrued expenses and prepaid income	23	**727**	523
TOTAL NON-INTEREST-BEARING CURRENT LIABILITIES		**1,199**	979
TOTAL EQUITY AND LIABILITIES		**10,027**	8,799
PLEDGED SECURITIES		**None**	None
CONTINGENT LIABILITIES	24, 25	**4**	20

CASH FLOW STATEMENT – PARENT ENTITY (MSEK)

THE YEAR'S OPERATIONS	2009	2008
Operating income	316	721
Adjustment for items not included in cash flow		
Depreciation	465	439
Other items	49	42
Interest paid	-15	-14
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	815	1,188
CHANGES IN WORKING CAPITAL		
Change in inventories	0	2
Change in current receivables	-186	142
Change in current liabilities	220	1
CASH FLOW FROM THE YEAR'S OPERATIONS	849	1,333
INVESTMENT ACTIVITIES		
Investments in tangible and intangible fixed assets	-1,502	-929
Change in long-term receivables	0	0
Sale of fixed assets	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES	-1,502	-929
FINANCING ACTIVITIES		
Dividend received	1,358	6
Change in interest-bearing liabilities	460	102
Change in other long-term liabilities	5	0
Advance payments from customers	1	13
Dividend paid	-1,172	-476
CASH FLOW FROM FINANCING ACTIVITIES	652	-355
CASH FLOW FOR THE YEAR	-1	49
Liquid assets at the beginning of the year	77	28
Liquid assets at year-end	76	77

CHANGE IN EQUITY – PARENT ENTITY (MSEK)

	GOVERNMENT CAPITAL	OTHER PAID-UP CAPITAL	RETAINED EARNINGS INCL. NET INCOME FOR THE YEAR	TOTAL
OPENING BALANCE 2008	600	3,314	2,549	6,463
Dividend	—	—	-476	-476
Net income for the year	—	—	774	774
CLOSING BALANCE 2008	600	3,314	2,847	6,761
OPENING BALANCE 2009	600	3,314	2,847	6,761
Dividend	—	—	-1,172	-1,172
Net income for the year	—	—	1,685	1,685
CLOSING BALANCE 2009	600	3,314	3,360	7,274

11. ADDITIONAL INFORMATION AND NOTES

ACCOUNTING AND VALUATION PRINCIPLES

BASIS FOR DRAWING UP THE REPORTS

Svenska Kraftnät's accounts comply with Ordinance (2000:606) on public authority bookkeeping and the Swedish National Finance Management Authority's (ESV's) regulations and general advice. The ordinance corresponds with the Book-Keeping Act but is adapted to the special preconditions that apply for Government authorities and utilities. With certain exceptions that are stipulated in the document on Government appropriations, the Annual Report is drawn up in accordance with the Ordinance (2000:605) on annual reports and budget input and ESV's regulations and general advice. Part of Svenska Kraftnät's operations – contingency planning – is financed via Government grants. For this particular activity, the provisions of Ordinance (1996:1189), on grants also applies, which among other things regulates the principles for grant settlement and how non-utilised funds may be retained between different budget years.

Svenska Kraftnät has made departures from the above ordinance when preparing the Group's income statements and balance sheets, cash flow statements and changes in equity and followed the Swedish Financial Accounting Standards Council's recommendations. This is in order to provide a more true and fair picture of the Group's financial status and better comparability with listed Swedish groups.

PRECONDITIONS FOR THE DRAFTING OF THE GROUP'S FINANCIAL REPORTS

The parent company's functional currency for reporting is Swedish kronor for both the parent company and the Group. All amounts that are given are rounded off to the nearest million kronor (MSEK) unless otherwise indicated. Items related to income statements refer to the period 1 January–31 December. Items related to balance sheets refer to 31 December. Figures within brackets apply to the previous year's values.

CONSOLIDATED ACCOUNTING PRINCIPLES

THE EXTENT OF THE GROUP

Svenska Kraftnät comprises the parent entity, the Svenska Kraftnät public utility, along with three subsidiaries and six associated companies. The parent company is a Swedish state-owned public utility that has its head office in Sundbyberg. The Group is under the controlling influence of the Swedish government.

The subsidiaries and associated companies are limited liability companies or companies with a corresponding legal status abroad.

One of the subsidiaries, SwePol Link AB, has in turn its own wholly-owned subsidiary in Poland.

CONSOLIDATION PRINCIPLES

The consolidated accounts are drawn up in accordance with the acquisition method, which in brief means that the acquisition cost for the shares in the subsidiary are eliminated against the equity that exists in the subsidiary at the time of the acquisition. The recommendations of the Swedish Financial Accounting Standards Council concerning consolidated accounts are applied.

Minority participations in the net profit and equity in part-owned subsidiaries are presented separately in the calculation of the Group's net profit and equity. Internal profits within the Group are eliminated in their entirety.

Associated companies are reported in accordance with the equity method. This means that the book value of shares and participations in associated companies in the consolidated accounts is valued at the Group's share of

the associated companies' equity. Svenska Kraftnät's share of the associated companies' result is thereby included in the Group's result and dividend distributed. The share is included in the profit brought forward.

UNTAXED RESERVES/APPROPRIATIONS
When drawing up the consolidated accounts untaxed reserves and appropriations reported in the individual companies have been divided into deferred tax and restricted equity. The deferred tax liability has been calculated at the current tax rate.

TRANSLATION OF FOREIGN SUBSIDIARIES AND ASSOCIATED COMPANIES
For all companies within the Group, local currency corresponds to the functional currency for the company. Swedish kronor, which is the parent company's functional and reporting currency, is used in the consolidated accounts. Assets and liabilities are translated to the exchange rate on the balance sheet date. Unrealised exchange rate gains and exchange rate losses are included in the result.

The subsidiary SwePol Link AB's Polish subsidiary's annual accounts have been translated into Swedish kronor in accordance with the monetary method, which means that monetary items are translated into the balance sheet date rate and non-monetary items into the rate at the time of the investment. The translation difference between monetary assets and liabilities is included in the net income for the year for the Group and is reported in the income statement. The monetary method is used because the operations of the Polish company are regarded as an integrated part of SwePol Link AB's activities.

REVENUE ACCOUNTING
Revenues are reported to the extent to which it is likely that the financial advantages will be to the benefit of the Group and that the revenues can be calculated in a reliable way. Revenues are reported net of VAT. Intra-group sales are eliminated in the consolidated accounts.

NETWORK REVENUE
Network revenue consists of both capacity charges and energy dependent fees. Capacity charges are fixed annual fees for subscriptions that are reported as income linearly throughout the period which the fee is meant to cover, while the energy-dependent fee is reported as income in connection with the use of Svenska Kraftnät's services.

SYSTEM OPERATOR REVENUE – ELECTRICITY
Revenue consists of power sold for balance services, revenue for the use of the IT system Ediel and revenue in order to cover the costs of power reserves. From 1 January 2005 the Group reports its revenue and expenses gross for system operator per hour instead of as previously per fourteen day period. If the customer has overall purchased power during the period, this is shown as balancing power income for Svenska Kraftnät whereas if the customer has instead overall sold power, it is reported as a balancing power cost.

SYSTEM OPERATOR REVENUE – NATURAL GAS
Revenue consists of sold natural gas for the power balancing service. System Operator natural gas generates both revenue for sold natural gas as well as expenses for purchased natural gas. This is reported and settled on a gross basis per day.

Other operating revenue is reported as revenue in conjunction with the provision of the service. To a certain extent, customers can pay in advance. The advance payment is then deducted against income as the service is carried out.

ACCOUNTING OF BUSINESS SEGMENTS
The Group's operations are divided into six business segments. A business segment is a unit identifiable within Svenska Kraftnät's accounts that is distinguished from other business segments on the basis of the risks and opportunities involved in each assignment.

INTEREST INCOME
Interest income is reported concurrently as it is accrued, i.e. it is accounted in the income statement in the period in which it arises.

INTEREST EXPENSES
Interest expenses consist of interest and other expenses that arise when borrowing capital. Interest expenses are reported in the period to which they relate. Interest expenses during the construction period are activated with the construction of capital assets in excess of SEK 50 million.

RECEIVABLES AND LIABILITIES
Assets and liabilities have been valued at the acquisition value if not otherwise specified. Doubtful debts are entered at the amount that is estimated will be paid after individual assessment.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY
Receivables and liabilities in foreign currency are valued at the exchange rate on the balance sheet date. The difference between the value on the date of acquisition and the balance sheet date has been added to the result.

INVENTORIES
The inventory consists of natural gas and fuel for operating gas turbines. The stock has been valued at the lowest of the acquisition value and the real value.

LIQUID FUNDS
Liquid funds comprise bank balances.

REPORTING OF LEASING AGREEMENTS
All leasing agreements are reported as operational leases and written-off linearly. There are no financial leasing agreements.

TANGIBLE FIXED ASSETS
Tangible fixed assets are reported at their acquisition value with a deduction made for accumulated depreciation and write-downs. Investments are regarded as being new construction as well as conversions and extensions that in the long term increase standard, quality or performance.

Expenditure for repairs and maintenance are reported as an expense in the period in which they occur. Included under maintenance are works that are needed in order for it to be possible for a facility to be used in the original way intended, but which do not increase its performance or significantly extend its lifetime.

Interest expenses during the construction period are activated with the construction of facilities in excess of SEK 50 million.

INTANGIBLE FIXED ASSETS
Expenditure for land rights, rights of use in fibre optic connections, licences, construction in progress and development expenses for computer programs are carried forward and written off linearly over the duration of use. All intangible fixed assets have a limited period of use. Since 2002 land rights are written off according to the assessed period of use, which for a cable concession is usually forty years.

Rights of use are for fibre optic cables and are written off over a period of between 15 and 25 years in accordance with the length of the contract period. The new settlement system is judged to have a period of use of ten years.

DEPRECIATION
Depreciation according to plan is based on the acquisition value of the assets and the estimated period of use. Linear depreciation is used for all fixed assets. The residual value and duration of use of assets is regularly checked and adjusted when necessary.

PROVISIONS
A provision is reported in the balance sheet when there is a legal or informal undertaking as a consequence of an event that has occurred, and it is likely that an outflow of resources is required to settle the undertaking and that the amount can be estimated in a reliable way.

ANNUAL DEPRECIATION RATES	(%)
Transmission lines, excluding submarine cables and associated lines	2.5
Submarine cables, excluding SwePol Link, and associated lines	3.3
The SwePol Link Group	5.0
Control equipment in stations	6.7
Other station components	3.3
Fibreoptic connections	4.0
Spare parts	6.7
Telecom and information systems	6.7–20.0
Gas turbine plants	5.0
PCs and equipment	33.3

TAXES
Svenska Kraftnät's subsidiaries are obliged to pay income tax for limited liability companies, whereas Svenska Kraftnät as a state utility and part of the Swedish state is free from income tax, i.e. is not a tax subject. Deferred tax for differences between the reported and fiscal result is not reported by the parent entity and the Svenska Kraftnät Group, with the exception of SwePol Link Poland and for untaxed reserves in the Swedish subsidiaries. Deferred tax receivables are reported to the extent that sufficient taxable surplus is deemed likely to be available within the foreseeable future.

PENSION COMMITMENTS
Since 2003 a new pension agreement, PA-03, applies for state employees born in 1943 or later. For employees born in 1942 or earlier PA-91 still applies. The size of the pension provision is calculated by the National Government Employee Pensions Board (SPV). PA-03 includes old-age pension, survivors' pension and disability pension.

PA-03 includes the following old-age pensions:

- Contribution pensions – individual old-age pension and supplementary old-age pension, Kåpan. Premiums are paid for these.
- Defined-benefit pensions – old-age pension on incomes over 7.5 basic income and old-age pension in accordance with transitional rules for employees born between 1943 and 1972.

These commitments are reported under the item Provision for pensions.

The year's pension provisions have been written off together with premiums paid. The interest component in the year's pension expenses is reported as an interest expense. In addition to the 1.8% interest rate, the interest component also includes index-linking of certain benefits.

Some 6% of the employees were not updated, which means that their pension provision has been calculated at a standard rate. Updating means that SPV carries out an overall review of all the positions a state employee has held, in both the public and private sectors. If there are gaps in the period of employment the pension provision is entered at a standard rate. Among other things, this means that SPV assumes that the employee has been in state employment from the age of 28 and that the provision is calculated with a factor of 0.95. This means that the actual provision might be less or more. Svenska Kraftnät considers that the pension provision is not too low and has chosen to report the pension provision calculated by SPV.

The pension liability reported is constituted by the technically calculated assumptions that Svenska Kraftnät is responsible for according to the PA-91 and PA-03 pension agreements. The pension provision is calculated in accordance with the basis that the board of SPV has laid down. The pension provision includes commitments relating to both active personnel and pensioners. Calculation of the pension liability includes a parameter that must correspond to the tax on returns from pension funds that private employers are obliged to pay. The parameter has been reduced from 0.6% to 0.5% compared with last year. In its turn this is due to changed assumptions for returns.

Svenska Kraftnät pays a special payroll tax on paid out pensions in accordance with Ordinance (1991:704) on the establishment of special payroll tax on state pension expenses, not based on allocations for pensions. Since the pension provision is for future pension outlays, an allocation is made for special payroll tax based on the size of the pension provision at the end of the year.

GOVERNMENT SUPPORT

External contributions to investments reduce the acquisition value of the investment by an equivalent amount.

RESEARCH AND DEVELOPMENT EXPENSES

Development work is an integrated aspect of the operation and refers to measures for long-term improvements that are written off continuously during the year. Svenska Kraftnät conducts research and development work with the aim of increasing reliability performance, effectiveness and environmental compatibility of the network and system operations. No expenses are therefore activated for development.

CASH FLOW STATEMENT

The cash flow statement is drawn up in accordance with the indirect method. The reported cash flow comprises transactions that entail receipts and payments. This means that discrepancies can occur compared with changes in individual items in the balance sheet.

BORROWING

Borrowing is reported at a nominal amount.

SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Share and participations in group companies are reported at acquisition value with deductions for any write-downs. Dividends received are reported when the right to a dividend is deemed to be secure.

SUPERVISORY AUTHORITY

The supervisory authority for network operations is the Energy Market Inspectorate.

NOTES

NOTE 1. NETWORK REVENUE

	GROUP		PARENT ENTITY	
MSEK	2009	2008	2009	2008
Power revenue	1,288	894	1,331	923
Energy-dependent revenue	1,128	1,292	1,128	1,292
Congestion revenue	289	820	289	820
Transit revenue	130	168	130	168
SwePol Link	214	248	-	-
Other revenue	54	56	50	52
TOTAL	3,103	3,478	2,928	3,255

NOTE 2. SYSTEM OPERATOR REVENUE – ELECTRICITY

	GROUP		PARENT ENTITY	
MSEK	2009	2008	2009	2008
Sold balancing power	2,638	3,134	2,638	3,134
Sold final power	127	51	127	51
Sold supportive power	124	85	124	85
Sold regulation power	372	419	372	419
Total regulation power	3,261	3,689	3,261	3,689
Peak Power Reserve	83	111	83	111
Ediel	7	6	7	6
TOTAL	3,351	3,806	3,351	3,806

»Balancing power revenue« is for invoiced income for the imbalance that balance providers have caused in the national electricity system.

NOTE 3. GOVERNMENT GRANT FOR CONTINGENCY PLANNING

GRANTS ACCOUNTS FOR THE PARENT ENTITY (TKR)	
EXPENSE AREA 06. DEFENCE AND CIVIL EMERGENCY PLANNING. 2:4 EMERGENCY PREPAREDNESS	APPROPRIATION ITEM 3, ELECTRICITY EMERGENCY MEASURES
OPENING TRANSMISSION AMOUNT	1,795
ALLOCATION FOR THE YEAR AS PER LETTER OF GOVERNANCE	250,000
TOTAL AVAILABLE FUNDS	251,795
EXPENSES	-219,799
CLOSING AMOUNT	31,996

CONDITIONS FOR THE GRANT ACCORDING TO THE LETTER OF GOVERNANCE (MKR)	MAXIMUM AMOUNT	OUTCOME
Administrative expenses in the operation	24	14

The grants consumed during the course of the year amounting to SEK 220 (262) have been used for activities including compensation to the emergency reserve, supplementing emergency pylons, measures in hydroelectric power stations and combined power and heating plants to ensure black start capacity and regulating ability in island operation.

For this appropriation, there is also a framework for authorisation, that according to civil law is a binding undertaking that entails future expenses. They are set out in the table below.

ALLOCATED FRAMEWORK OUTSTANDING UNDERTAKINGS, (TSEK)	CONSTITUENT UNDERTAKINGS	OUTSTANDING UNDERTAKINGS	FORECAST 2010	2011	2012
400,000	232,100	228,920	118,480	45,873	64,567

NOTE 4. ACTIVATED WORK FOR OWN ACCOUNT

GROUP AND PARENT ENTITY (MSEK)	2009	2008
Construction work in progress	**38**	31
Activated development of computer programs	**7**	7
TOTAL	**45**	38

This item concerns labour costs for Svenska Kraftnät's own personnel that are activated against investment projects.

Investment projects refer on the one hand to construction work in progress and on the other to activated IT development projects.

NOTE 5. STAFF EXPENSES

EMPLOYEES	GROUP		PARENT ENTITY	
Number	**2009**	2008	**2009**	2008
Women	**95**	90	**94**	89
Men	**230**	215	**229**	214
TOTAL	**325**	305	**323**	303

The average number of employees during 2009 in the group was 317 (295), of whom 315 (293) were in the parent entity and 2 (2) in Poland in the SwePol Link Group.

The distribution between men and women at year end can be seen from the table above. There is one man and one women employed in Poland.

The Group's staff expenses amounted to SEK 280 (259) million, of which the payroll costs were SEK 166 (152) million. To this shall be added pension expenses of SEK 35 (34) million and also social expenses of SEK 62 (58) million.

The Parent Entity's staff expenses amounted to SEK 279 (258) million, of which the payroll costs accounted for SEK 165 (151)million.

To this shall be added pension expenses of SEK 35 (34) million and also social expenses of SEK 62 (58) million.

The fee paid to the outgoing Chairman of the Board amounted to SEK 19,749 and the new appointment has received SEK 59, 247. The fees paid to other Board members have amounted to SEK 52,992 per member for the whole year. No fees are paid to Board members who are employed within Svenska Kraftnät, apart from their normal salaries.

The Director General's salary amounted to SEK 1.2 million and pension expenses to SEK 0.5 million according to calculations from the National Government Employee Pensions Board. The Deputy Director-General's salary for the year as a whole amounted to SEK 1.0 million and pension expenses amounted to SEK 1.3 million.

The distribution between men and women in the Board of Directors (excluding staff representatives) is set out in the table.

THE BOARD, NUMBER	2009	2008
Women	**3**	3
Men	**5**	5
TOTAL	**8**	8

According to the authority's instruction, there should be a council at Svenska Kraftnät that has insight into the contingency planning operation for electricity and a council to at the public utility in its work on dam safety issues. The members of the Contingency Planning Council are appointed by the Government, while the Director General appoints the members to the Dam Safety Council.

In 2009 Remuneration paid to the Dam Safety Council in Swedish kronor amounted to:

DAM SAFETY COUNCIL	SEK
Henrik Löv	36,000

In 2009 remuneration for the members of the Contingency Planning Council in Swedish kronor amounted to:

CONTINGENCY PLANNING COUNCIL	SEK
Andres Muld	1,950
Lena Hovmark	1,950
Eva Ekenberg	1,950
Daniel Jonsson	1,950
Cecilia Nyström	2,534
Caroline Carlsson	1,950
Anders Richert	975
TOTAL	**13,259**

NOTE 6. OTHER OPERATING EXPENSES

MSEK	GROUP		PARENT ENTITY	
	2009	2008	**2009**	2008
Energy compensation	**201**	305	**201**	305
Operation & maintenance	**353**	303	**315**	268
Leases on fixed assets	**45**	44	**45**	44
Transit expenses	**99**	153	**99**	153
Countertrade national grid	**304**	113	**304**	113
Primary Regulation	**298**	293	**298**	293
Disturbance reserve	**63**	63	**103**	93
Peak power reserve	**72**	97	**77**	107
Research and development	**20**	27	**20**	27
Contingency planning expenses	**190**	193	**200**	208
Other expenses	**202**	209	**192**	196
TOTAL	**1,847**	1,800	**1,854**	1,807

The item»Other expenses« includes payments to accountants in the following amounts:

MSEK	GROUP		PARENT ENTITY	
	2009	2008	**2009**	2008
Swedish National Audit Office	**0.8**	0.7	**0.8**	0.7
Other auditors	**0.4**	0.5	**-**	-
Auditing expenses	**1.2**	1.2	**0.8**	0.7
Consultation, Deloitte	**-**	0.1	**-**	0.1
Consultation, Ernst & Young	**0.1**	0.5	**-**	0.1
TOTAL	**1.3**	1.8	**0.8**	0.9

NOTE 7. SHARE OF INCOME IN ASSOCIATED COMPANIES

GROUP (MSEK)	2009	2008
Nord Pool ASA	25	1,073
Nord Pool Spot AS	4	-6
Stri AB	1	2
Kraftdragarna AB	1	-
TOTAL	31	1,069

NOTE 8. OPERATING INCOME PER BUSINESS SEGMENT AND LINE OF BUSINESS

	OPERATING REVENUE		OPERATING INCOME	
GROUP (MSEK)	**2009**	2008	**2009**	2008
Transmission on the national grid	**3,148**	3,516	**256**	822
System Operator – electricity	**3,351**	3,806	**60**	-71
Telecommunications – external	**69**	70	**25**	30
Telecommunications – internal	**54**	54	**11**	16
System Operator – natural gas	**57**	54	**3**	2
Renewable electricity certificates	**6**	10	**2**	5
Associated companies	**-**	-	**31**	1,069
Contingency	**220**	261	**0**	0
Segment elimination	**-54**	-54	**-**	-
TOTAL	**6,851**	7,717	**388**	1,873

The predominant lines of business within the Group are »Transmission on the national grid« and »System Operator electricity«. Included in the operating income are the external revenue and expenses for the lines of business. Activated own work is included in »Transmission on the national grid«, see note 4.

Some items concern both the lines of business »Transmission on the national grid« and »System Operator electricity«. When it has not been possible to link these activities to a business segment, the costs have been distributed on a standard basis.

The line of business »Telecommunications« has performed services for »Transmission on the national grid« to a value of SEK 54 (54) million, which is reported as operating income for »Telecommunications« and a corresponding increase in operating expense for »Transmission on the national grid«. Activated own work is included in the line of business »Transmission on the national grid's« revenues at an amount of SEK 45 (38) million.

Within the line of business »System Operator electricity«, the balance providers have agreements with the parent entity on balance regulation and settlement of their imbalances. Profit trends are shown below for the years 2009 and 2008 in the parent entity.

PARENT ENTITY (MSEK)	2009	2008
OPERATING REVENUE		
Balancing power revenue	**3,203**	3,645
Peak power reserve	**83**	111
Ediel	**7**	6
Other balancing service revenues	**58**	44
TOTAL OPERATING REVENUE	**3,351**	3,806

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OPERATING EXPENSES	2009	2008
Balancing power expenses	**-2,955**	-3,404
System operation, primary regulation	**-179**	-293
Disturbance reserve	**-51**	-46
Peak power reserve	**-77**	-107
Ediel		-6
Other expenses	**-23**	-16
Depreciation	**-2**	0
TOTAL OPERATING EXPENSES	**-3,287**	-3,872
OPERATING INCOME	**64**	-66

Investments per business area are distributed as shown in the below table:

MSEK	2009	2008
Transmission on the national grid	**1,409**	885
System Operator – electricity	**32**	37
Telecommunications	**86**	41
TOTAL	**1,527**	963

Return on capital employed for the group is 4.5 (21.1)%. The predominant proportion of the capital employed belongs to the »Transmission on the national grid» business segment.

NOTE 9. RESULT FROM SECURITIES AND RECEIVABLES THAT ARE FIXED ASSETS

	GROUP		PARENT ENTITY	
MSEK	**2009**	2008	**2009**	2008
Dividend on shares and participations in associated companies	**-**	-	**1,358**	48
Interest income on long-term receivables in subsidiaries	**-**	-	**3**	8
Interest income on long-term receivables in associated in associated companies	**4**	4	**4**	4
Other interest income	**-**	-	**-**	-
Exchange rate differences	**7**	-5	**7**	-4
TOTAL	**11**	-1	**1,372**	56

NOTE 10. INTEREST INCOME AND SIMILAR INCOME ITEMS

	GROUP		PARENT ENTITY	
MSEK	**2009**	2008	**2009**	2008
Interest income from bank balances	**1**	5	**1**	2
Other interest income	**12**	2	**11**	2
TOTAL	**13**	7	**12**	4

Shares in the profit of associated companies are presented in a separate note. Dividends and profits in conjunction with sales of shares/ participations in associated companies are presented under note 9.

NOTE 11. INTEREST EXPENSES AND SIMILAR EXPENSE ITEMS

	GROUP		PARENT ENTITY	
MSEK	**2009**	2008	**2009**	2008
Interest expenses, Pension debt	**6**	6	**6**	6
Interest expenses, long-term credit	**16**	64	**-**	-
Interest expenses, National Debt Office loan	**4**	11	**4**	11
Interest expenses, current liabilities	**11**	3	**11**	3
Capitalised interest for new construction	**-6**	-13	**-6**	-13
Exchange rate differences	**0**	1	**-**	-
Other financial expenses	**0**	1	**-**	-
TOTAL	**31**	73	**15**	7

NOT 12. TAX ON INCOME FOR THE YEAR

GROUP (MSEK)	**2009**	2008
Current tax	**-5**	-2
Deferred tax	**-1**	-1
TOTAL	**-6**	-3

Since the majority of the Group's income before tax is earned in the parent entity, which is relieved from income tax, no account is given of the connection between the tax expense for the year and the reported income before tax in the Group.

» NET INCOME FOR THE GROUP AMOUNTED TO SEK 375 MILLION «

NOTE 13. INTANGIBLE FIXED ASSETS

GROUP AND PARENT ENTITY (MSEK)	Capitalized expenditure for computer programmes	Land rights	Rights of use for fibre optic cables	Construction work in progress	Total
Opening acquisition value	99	170	71	106	446
Acquisitions				55	55
Sales/disposal	-2				-2
Reclassifications	48	0	1	-45	4
Closing accumulated acquisition value	145	170	72	116	503
Depreciation brought forward	52	109	26		187
Sales/disposal	-2				-2
Depreciation for the year	24	3	6		34
Accumulated depreciation carried forward	74	112	32	0	219
PLANNED REMAINING VALUE CARRIED FORWARD	**71**	**58**	**40**	**116**	**284**
Depreciation previous fiscal year	14	3	5	-	**22**

»Intangible fixed assets« consist of land rights in the form of easements and line rights, rights of use for fibre optic cables, licences and capitalised expenditure for computer programs.

NOTE 14. TANGIBLE FIXED ASSETS

GROUP (MSEK)	Buildings and land	Machinery and other technical facilities	Construction work in progress	Total
Opening acquisition value	964	16,450	1,412	18,826
Acquisitions	0	8	1,464	1,472
Sales/disposal	-15	-75	0	-90
Depreciation in connection with disposal	0	-8	0	-8
Reclassifications	14	499	-516	-3
Closing accumulated acquisition value carried forward	963	16,874	2,360	20,197
Depreciation brought forward	478	9,455	0	9,933
Sales/disposal	-15	-72	0	-87
Depreciation for the year	37	532	0	569
Accumulated depreciation carried forward	500	9,915	0	10,415
PLANNED REMAINING VALUE CARRIED FORWARD	**463**	**6,959**	**2,360**	**9,782**
Depreciation previous fiscal year	55	506	-	561

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PARENT ENTITY (MSEK)	Buildings and land	Machinery and other technical facilities	Construction work in progress	Total
Opening acquisition value	487	14,059	1,381	15,927
Acquisitions		7	1,440	1,447
Sales/disposal	-15	-74		-89
Depreciation in connection with disposal		-8		-8
Reclassifications	14	463	-481	-4
Closing accumulated acquisition value carried forward	486	14,447	2,340	17,273
Depreciation brought forward	287	8,467		8,754
Sales/disposal	-15	-72		-87
Depreciation for the year	13	408		421
Accumulated depreciation carried forward	285	8,803	0	9,088
PLANNED REMAINING VALUE CARRIED FORWARD	**201**	**5,644**	**2,340**	**8,185**
Depreciation previous fiscal year	31	383	-	**414**

The item »Machinery and other technical facilities« includes in particular switchyard equipment, power cables, submarine cables, control equipment, fibre-optic activities as well as telecommunications and information systems.

Disposals arise primarily in connection with the commissioning of facilities after reinvestments. The tax value for properties in the Group amounts to SEK 183 (361) million.

NOTE 15. SHARES AND PARTICIPATIONS IN GROUP COMPANIES

COMPANY	CORPORATE NUMBER	DOMICILE	SHARE %	QUANTITY	NOMINAL VALUE	BOOK VALUE
Svenska KraftKom AB	556575-7274	Stockholm	100	1	0	0
Svenska Kraftnät Gasturbiner AB	556451-0260	Stockholm	100	900	9	9
SwePol Link AB	556530-9829	Stockholm	51	306,000	3	3
TOTAL					**12**	**12**

NOTE 16. SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

COMPANY	CORPORATE NUMBER	DOMICILE	SHARE %	QUANTITY	BOOK VALUE GROUP	BOOK VALUE PARENT ENTITY
Nord Pool ASA	NO 965662952	Lysaker	50	100,000	198	172
Nord Pool Spot AS	NO 984058098	Lysaker	30	4,320	57	42
Stri AB	556314-8211	Ludvika	25	375	12	4
Kraftdragarna AB	556518-0915	Västerås	50	5,000	8	1
Elforsk AB	556455-5984	Stockholm	25	750	1	0
Triangelbolaget D4 AB	556007-9799	Stockholm	25	525	0	0
TOTAL					**276**	**219**

The acquisition value is the same as the book value in the parent entity.

NOTE 17. CURRENT RECEIVABLES – THE GROUP

MSEK	2009	2008
Accounts receivable	**356**	219
Receivables from associated companies	**3**	3
Other receivables	**52**	82
Receivable from the public utility's overdraft facility	**34**	34
TOTAL	**445**	338

NOTE 18. RECEIVABLE FROM THE PUBLIC UTILITY'S CHEQUE ACCOUNT

GROUP AND PARENT ENTITY (MSEK)	2009	2008
Opening balance (receivable +, liability -)	**34,014**	28,312
Settled against Government budget:		
Appropriation	**219,799**	255,704
Income titles, dividend and small-scale energy		-
Settled against public utility's overdraft facility:		
Appropriation funds withdrawn	**-220,002**	-250,002
Dividend paid in	**-**	-
BALANCE CARRIED FORWARD	**33,811**	34,014

The receivable carried forward of SEK 34 (34) million consists of the difference between withdrawn/deposited funds from the public utility's overdraft facility and deducted expenses/deposited income against the Government budget. Since 2008 the Swedish Government Offices are responsible for reporting the income title with respect to the dividend that Svenska Kraftnät deposits.

NOT 19. PREPAID EXPENSES/ACCRUED INCOME

	GROUP		PARENT ENTITY	
MSEK	2009	2008	2009	2008
Prepaid expenses, other	**17**	16	**16**	14
Prepaid expenses, intangible investment	**0**	3	**0**	3
Accrued income, network	**194**	194	**194**	194
Prepaid expenses, system operator	**360**	283	**360**	283
Prepaid expenses, Renewable electricity certificates	**1**	2	**1**	2
Prepaid expenses, Natural gas	**4**	3	**4**	3
Prepaid expenses, other	**2**	3	**0**	2
TOTAL	**578**	504	**575**	501

NOTE 20. LONG-TERM INTEREST-BEARING LIABILITIES

	GROUP		PARENT ENTITY	
MSEK	2009	2008	2009	2008
The National Debt Office	**1,033**	573	**1,033**	573
Credit institutions	**802**	1,048	**0**	0
TOTAL	**1,835**	1,621	**1,033**	573

The liability to the National Debt Office is for the current loan parameter. Of the other external loans, a total of SEK 473 (752) million falls due for payment after five years in the case of the Group and SEK 0 (0) million for the parent entity.

NOTE 21. PROVISIONS FOR PENSIONS

GROUP AND PARENT ENTITY (MSEK)	2009	2008
Opening balance	**392**	361
Pensions paid	**-6**	-6
Annual indexation of pension liability	**36**	30
Ditto provisions for payroll tax	**9**	7
Adjustment of liability and payroll tax due to change of calculation method (reduced yield tax)	**-7**	-
BALANCE CARRIED FORWARD	**424**	392

NOTE 22. CURRENT INTEREST-BEARING LIABILITIES

	GROUP		PARENT ENTITY	
MSEK	2009	2008	2009	2008
Short-term part of long-term loans from credit institutions	**82**	98	**0**	0
TOTAL	**82**	98	**0**	0

NOTE 23. ACCRUED EXPENSES/PREPAID INCOME

	GROUP		PARENT ENTITY	
MSEK	**2009**	2008	**2009**	2008
Accrued expense, balancing power	**450**	227	**449**	227
Accrued expense, primary regulation	**8**	1	**8**	1
Accrued expenses, power reserve	**17**	10	**17**	10
Accrued expense, energy compensation	**16**	32	**16**	32
Accrued expense, transmission losses	**91**	104	**91**	104
Accrued expense, disturbance	**5**	5	**5**	5
Transit compensation	**39**	34	**39**	34
Accrued staff expenses	**22**	33	**22**	33
Accrued leases on fixed assets	**12**	12	**12**	12
Accrued maintenance expenses	**30**	35	**30**	35
Accrued contingency expenses	**18**	10	**18**	10
Accrued expenses, natural gas	**4**	4	**4**	4
Accrued expenses, other	**7**	6	**7**	5
Prepaid Telecommunications revenue	**8**	11	**8**	11
Prepaid income, other	**1**	0	**1**	0
TOTAL	**728**	524	**727**	523

NOTE 24. CONTINGENT LIABILITIES

A guarantee has been issued for a loan of SEK 4 (20) million to Stri AB for the acquisition of a property.

In the parent entity's assessment, Svenska Kraftnät and its subsidiaries are not party to any legal material proceedings that could have a significant negative impact on the result.

NOTE 25. FUTURE LEASING COMMITMENTS

	GROUP		PARENT ENTITY	
MSEK	**2009**	2008	**2009**	2008
Within one year	**243**	182	**288**	227
Later than one year but within five years	**183**	218	**349**	384
Later than five years	**152**	174	**152**	215
TOTAL	**578**	574	**789**	826

Agreed future leasing fees fall due for payment as indicated below. All rental agreements are operational leasing agreements. The amounts in the case of the parent entity also include commitments to the subsidiary Svenska Kraftnät Gasturbiner AB.

12. PROPOSED DISPOSITION OF EARNINGS

The Group's non-restricted equity amounts to SEK 3,542 million, of which the profit for the year amounts to SEK 375 million.

Of the parent entity's non-restricted equity of SEK 3,360 million, of which the result for the year amounts to SEK 1,685 million, it is proposed that SEK 244 million is allocated for dividend in accordance with the dividend policy and that the surplus be carried forward.

The board suggests that the parent entity's income statement and balance sheet as well as the Group's income statement and balance sheet are adopted for 2009.

We certify that the annual report provides a correct picture of the results of the business and also of expenses, revenues and the authority's and the Group's financial position.

Our assessment is that internal governance and control in the authority is satisfactory.

Sundbyberg 17 February 2010

Bo Källstrand
CHAIRMAN

Anna-Stina Nordmark-Nilsson
DEPUTY CHAIRMAN

Mikael Odenberg
DIRECTOR GENERAL

Tomas Bruce

Bo Diczfalusy

Karin Stierna

Christer Samuelsson

Ann-Sofie Danielsson

Agata Persson
STAFF REPRESENTATIVE

Sture Törnstam
STAFF REPRESENTATIVE

13. AUDITOR'S REPORT FOR THE SVENSKA KRAFTNÄT PUBLIC UTILITY

The Swedish National Audit Office has audited the public utility Svenska Kraftnät's annual accounts and consolidated accounts agreed on 17 Februaruy 2010, for the financial year 2009.

The management of the Svenska Kraftnät public utility is responsible for ensuring that the operations are conducted efficiently and constitutionally. This responsibility includes ensuring that the Government receives reliable feedback on the operations in the annual accounts.

It is the responsibility of the Swedish National Audit Office, in accordance with good auditing standards, to examine the public utility's annual accounts. The purpose of the inspection is to judge whether the accounts and underlying accounting records are reliable and the books true and correct, and whether the administration of the management follows applicable regulations and special Government decisions.

The audit has been conducted in accordance with sound auditing standards. These standards require that the audit be planned and conducted with the aim of obtaining reasonable grounds to assess whether the annual accounts and the consolidated accounts are true and correct. The audit has thus been made on a selection of important transactions and administrative decisions.

The National Audit office deems that the audit carried out has provided reasonable grounds on which to base the following statement.

The annual accounts and the consolidated accounts have been prepared in accordance with the Ordinance on annual accounts and budget data, the Government's appropriations document and other rulings relating to the public utility.

The Swedish National Audit Office deems that the annual accounts are in all essential respects true and correct.

Henrik Söderhielm is the responsible auditor and he made the decision in this matter. Ulrika Meyer who was in charge of the assignment, contributed with the decision.

The Auditor's Report of the National Swedish Audit Office was submitted on 22 February 2010.

Henrik Söderhielm, Ulrika Meyer

14. THE BOARD OF DIRECTORS

Bo Källstrand
CHAIRMAN

Born 1949, appointed 2009.
County Governor in Västernorrland County.
Other directorships:
Deputy Chairman, Royal Swedish Academy of Engineering Sciences.
Board Member, Carl and Anna Schwartz Foundation.

Anna-Stina Nordmark-Nilsson
DEPUTY CHAIRMAN

Born 1956, appointed 2004.
MD, Swedish Federations of Business Owners.
Other directorships:
Board member, Diös Fastigheter AB, Svea Skog AB.

Mikael Odenberg
DIRECTOR GENERAL

Born 1953, appointed 2008.
Other directorships:
Deputy Chairman, Nord Pool ASA. Board Member of the Government's Emergency Management Committee.

Tomas Bruce

Born 1944, appointed 2004.
Managing Director, Swedish Coal Institute.
Other directorships:
Chairman of Capital Cooling Europe AB, Swede Orienteering Federation. Board member of AB Borlänge Energi.

Bo Diczfalusy

Born 1952, appointed 2005.
Director, The Ministry for Industry, Employment and Communications.
Other directorships:
IEA (International Energy Agency).

Karin Stierna

Born 1970, appointed 2007.
Chair of the municipal executive board, Strömsund Municipality.

Christer Samuelsson

Born 1954, appointed 2001.
MD and Partner, Sensa Corporate Advisors AB.

Ann-Sofie Danielsson

Born 1959, appointed 2007.
Accounts and finance director, NCC AB.

Agata Persson
STAFF REPRESENTATIVE

Born 1946, appointed 2004.
Representative of the Swedish Confederation of Professional Associations SACO.

Sture Törnstam
STAFF REPRESENTATIVE

Born 1947, appointed 2005.
Representative of the Swedish Federation of Civil Servants ST.

15. ADDRESSES

Svenska Kraftnät, Head Office
Box 1200, 172 24 Sundbyberg
Visiting address: Sturegatan 1
Tel: +46 8 475 80 00 Fax: +46 8 475 89 50
Website: www.svk.se E-mail: info@svk.se
Invoice address: Svenska Kraftnät
Box 306, 830 23 Hackås

Svenska Kraftnät, Halmstad
Region South
Box 819, 301 18 Halmstad
Visiting address: Kristian IV:s väg 3
Tel: +46 35 18 22 40, +46 35 18 22 30
Fax: +46 35 18 22 41, +46 35 18 22 39

Svenska Kraftnät, Sollefteå
Nipan 51, 881 52 Sollefteå
Tel: +46 620 78 76 10 Fax: +46 620-121 46

Svenska Kraftnät, Sundsvall
Region North
Box 603, 851 08 Sundsvall
Visiting address: Erstagatan 2
Tel: +46 60 19 57 00 Fax: +46 60-19 57 09

Elforsk AB
101 53 Stockholm
Tel: +46 8 677 25 30 Fax: +46 8 677 25 35
Website: www.elforsk.se

Kraftdragarna AB
Seglargatan 15, 721 32 Västerås
Tel: +46 21 17 04 80 Fax: +46 21 17 04 85
Website: www.kraftdragarna.se

Nord Pool ASA, Head Office
P.b. 373, NO-1326 Lysaker, Norway
Tel: +47 67 52 80 00 Fax: +47 67 52 80 01
Website: www.nordpool.com

Nord Pool Spot AS, Head Office
P.b. 121, NO-1325 Lysaker, Norway
Tel: +47 67 52 80 10 Fax: +47 67 52 80 01
Website: www.nordpoolspot.com

STRI AB
Box 707, 771 80 Ludvika
Tel: +46 240 795 00 Fax: +46 240 150 29
Website: www.stri.se

Svenska Kraftnät Gasturbiner AB
Box 1200, 172 24 Sundbyberg
Visiting address: Sturegatan 1
Tel: +46 8 475 80 00 Fax: +46 8 475 89 50

SwePol Link AB
Box 1200, 172 24 Sundbyberg
Visiting address: Sturegatan 1
Tel: +46 8 475 81 77 Fax: +46 8 37 50 39
Website: www.swepollink.se

Triangelbolaget D4 AB
Box 26, 237 21 Bjärred
Tel: +46 706 64 04 19 Fax: +46 46 29 28 11
Website: www.triangelbolaget.se

EDITOR
Elin Amundsson

PHOTOGRAPHY
Johan Fowelin (landskap)
Peter Knutson (porträtt)
Håkan Flank (porträtt)

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