JANUARY–DECEMBER 2010:

NET INCOME FOR THE YEAR AMOUNTED TO SEK 773 MILLION

–

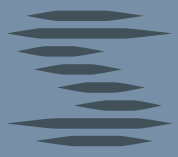
TRANSMISSION ON THE NATIONAL GRID INCREASED BY 6%

–

SOMEWHAT LOWER RATE OF INVESTMENT IN 2010 THAN IN 2009, SEK 1,276 MILLION

–

THE GROUP'S REVENUES INCREASED BY SOME 50%



S. CONTENTS

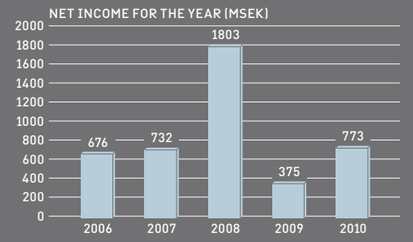
FINANCIAL OVERVIEW

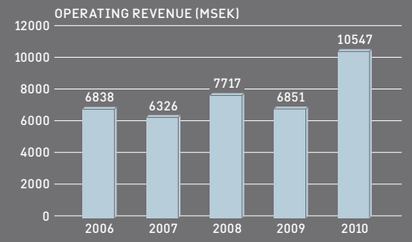
2010 IN BRIEF

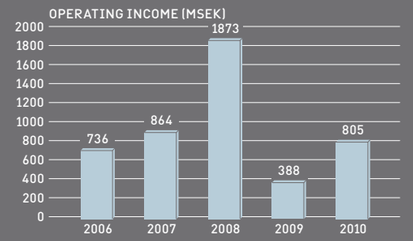
OPERATIONS DURING THE YEAR		2010	2009
Energy supplied	TWh	**110.3**	104.4
RELIABILITY PERFORMANCE			
Number of disturbances in the national grid		**224**	153
Number of disturbances with power failures		**10**	16
Energy not supplied (ILE)	MWh	**5**	5
FINANCIAL FACTS			
The Group's operating revenue	MSEK	**10,547**	6,851
Consolidated profit	MSEK	**773**	375
Return on adjusted equity*	%	**8.4**	4.3
Debt/equity ratio	%	**31**	33
Investments	MSEK	**1,276**	1,527
Balance sheet total	MSEK	**13,209**	11,654

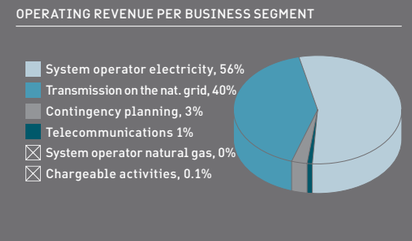
* after tax equivalence, 26.3%

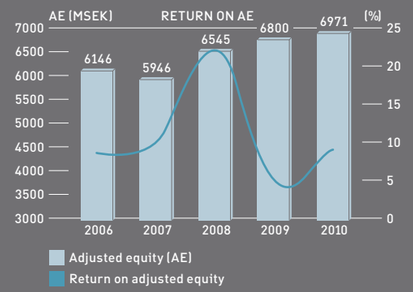
ECONOMIC DEVELOPMENT

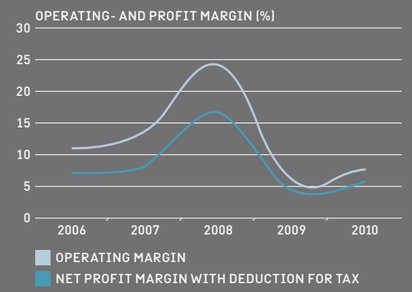












01. DIRECTOR GENERAL'S STATEMENT

During 2010 Svenska Kraftnät has, in a very tangible way, continued its transformation from yesterday's administrative government agency to tomorrow's proactive network builder – the investor whose task it is to ensure that the Government's climate and energy policies can be put into practice.

Much of our focus has been placed on creating order and method, and establishing a satisfactory structure in our various processes. This includes planning, risk evaluation and follow-up, project management and environmental certification. Doing things correctly is no longer enough. We now also have to do the right things!

This all entails the organisation growing. We took on almost 60 new employees during 2010. An important task has therefore been to broadly discuss and gain support for a set of fundamental values and crystallise our four value words; Development – Responsibility – Efficiency – Clarity .

NIMBY – NOT IN MY BACK YARD

It is not the expansion of wind farms and biofuel plants that will set the limit for how much renewable electricity generation we will be capable of introducing into the Swedish electricity system over the next ten or twenty years. No, it is the expansion of transmission capacity, i.e. the electricity networks that will be the principal limiting factor. However, there is still limited realisation of this fundamental fact – both in the energy industry and the political world.

Svenska Kraftnät's NIMBY problems are also going to become increasingly evident. Everyone accepts the climate policy, but nobody wants to have the powerlines that are a prerequisite for connecting the new electricity production to the grid.

Securing local networks' against storms by cabling old overhead lines also contributes to unrealistic expectations on Svenska Kraftnät. For the fact is that converting to cables is rarely possible in the national grid. At our voltage levels it is almost without exception AC overhead lines that are required – and not just for economic reasons, but also to a large degree for technical and reliability reasons.

TWO EXAMPLES

We are currently building a new 400 kV link between Stenkullen and Lindome. It is of great importance in ensuring that the lights stay on in Göteborg and furthermore, has for some years been an explicitly Swedish undertaking in relation to the EU. And yet it was only just before Christmas Eve that we were granted the concession that we applied for in 2004.

In another matter we are waiting for a decision on an application that was made in 2001 and where the processing period is now entering its tenth (!) year. And the application does not even concern a new line, but rather a renewal of a concession for a line that has been there for nearly 50 years...

A FUNCTIONING ELECTRICITY MARKET

The electricity market was subject to severe criticism last winter. However, conspicuously often the criticism was unreliable. It is not surprising that prices increase when supply is low (malfunctioning nuclear power plants) and demand is high (it is cold).

Nord Pool Spot most certainly isn't a »phony exchange«, a claim that has been made from some quarters, but the best functioning and most transparent marketplace for trading electricity in the world. It might be the case that with its marginal cost pricing the electricity market is not the world's most easy to understand. But it is tragic when so many people who should know better choose to attack the marketplace.

It is not the fault of the electricity exchange that some basic industries are now regretting selling off their own electricity production in connection with deregulation 15 years ago. Industrial actors should instead use the substantial opportunities offered by the electricity market. The truth is that last winter's price spikes can largely be explained by the lack of price elasticity on the demand side.

Many industries have agreements with ample potential to decrease production during shortages and sell electricity back to the exchange at a good profit.

Households – as of yet– do not have the same opportunities. For them, turning down their electric heating doesn't help much and running their washing machine at night not at all.

BIDDING AREAS

My most important decision last year was to divide Sweden into four electricity areas from 1 November 2011. The actors, headed by the trade association Swedenergy, were initially highly sceptical, if not to say outright negative. This attitude has subsequently gradually changed. I heartily welcome the change in attitude.

In purely logical terms the division into bidding areas entails a development of the Nordic market model, which is based on market division. The boundaries of the areas should follow the constraint areas that define the limitations in transmission capacity, and not just, as has been the case up to now, national borders. The new arrangement also puts additional pressure on us at Svenska Kraftnät, as it will become clearer which bottlenecks are having a negative effect on the market.

At the same time it is not a state secret that what finally triggered the decision was an insight that the previous arrangement for handling internal limitations in transmission capacity was not compatible with the EU's competition rules. The objections that can still sometimes be heard against the bidding areas do not therefore appear to be particularly well-informed. The fact is that there is no real alternative to the division into bidding areas, and there never has been.

THE FUTURE

In December we signed the contract for cables and converter stations for the next foreign link – NordBalt between Sweden and the Baltic States (Lithuania). However, further links to the continent will also be on the cards – not least to link up Nordic hydroelectric power with continental thermal power.

We must also simultaneously ensure that we strengthen our domestic electricity transmission network so that new foreign links do not lead to an increase in the electricity price in Southern Sweden. And in terms of international collaborations, we also need to ensure that sufficient investments are made in Germany that the power is not locked in but can be transported further south.

PERSPECTIVE PLAN 2025

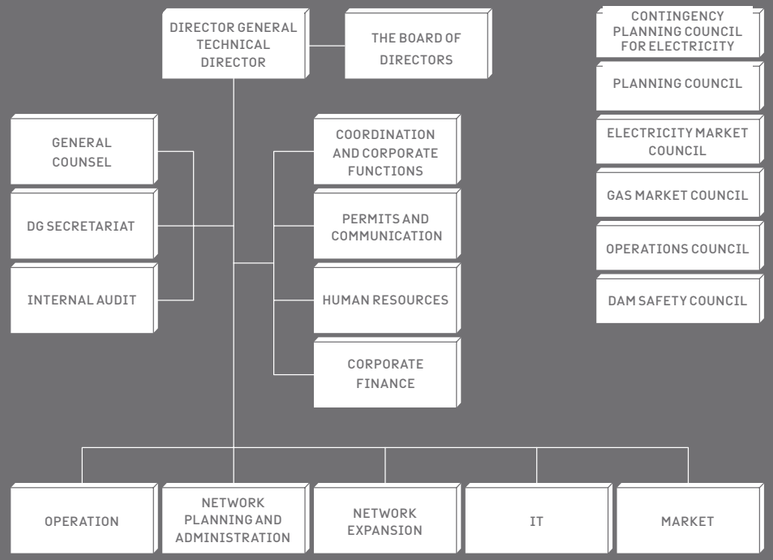
In the light of this it is important that Svenska Kraftnät clearly sets out its assessments for the world at large and the various actors in the market. What investments can be anticipated from Svenska Kraftnät's side? And when will they be implemented? The market's desire to have answers to such questions seems highly reasonable. Hopefully answers will be provided in Perspective Plan 2025. This is the working title for the long-term network planning that Svenska Kraftnät is now initiating and that we will complete during 2011–2012.

With a surplus of three quarters of a billion Swedish kronor, Svenska Kraftnät has amply met the Government's yield requirement.

Stockholm,
February 2011

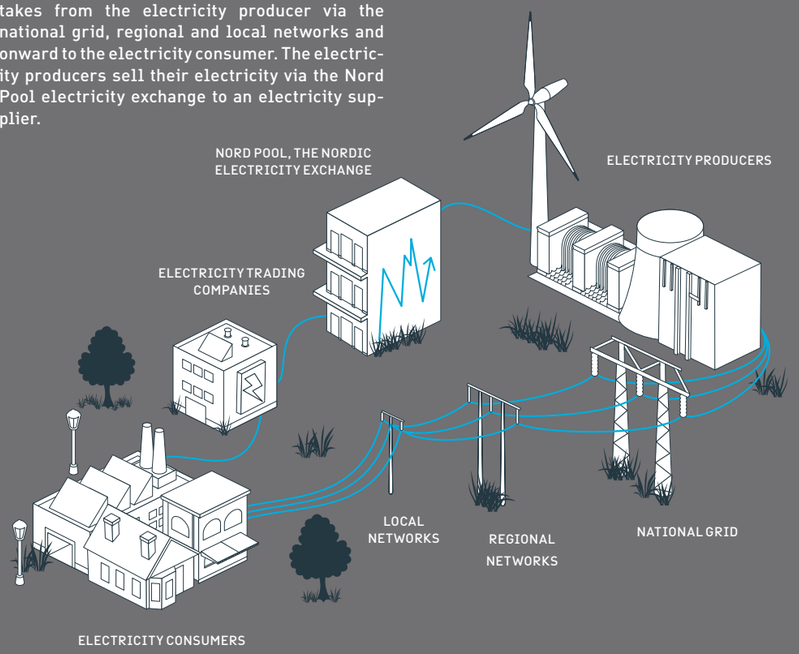
MIKAEL ODENBERG

ORGANISATION



THE ROUTE ELECTRICITY TAKES

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



02. THIS IS SVENSKA KRAFTNÄT

Svenska Kraftnät is a state-owned public utility with the task of administering Sweden's national grid for electric power. The national grid comprises power lines for 400 kV and 220 kV with stations and foreign links. We are also a system operator for electricity and natural gas and the authority responsible for Swedish contingency planning in relation to electricity and coordinating the country's dam safety. Svenska Kraftnät develops the national grid and the electricity market in order to meet society's need for a secure, environmentally-friendly and economic electricity supply. We thereby also have an important role to play in climate policy.

At the end of 2010 the utility had 374 permanently employees, the majority of whom work at the head office in Sundbyberg. There are also offices in Sundsvall, Halmstad and Sollefteå. A further couple of hundred people are employed as contractors for maintenance of the national grid throughout the country. During 2010 turnover amounted to SEK 10,547 million.

Svenska Kraftnät has three subsidiaries and five associated companies, among which is Nord Pool, the Nordic electricity exchange. Svenska Kraftnät's Board of Directors and Director General are appointed by the Government. Svenska Kraftnät is organised in nine departments. In addition there are six councils for cooperation with various interests. More information is available on the website, www.svk.se

OUR MISSION

- To provide transmission of power on the national grid in compliance with security, efficiency and environmental requirements.
- To perform the role of system operator 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.

03. VISION AND VALUES

»A leading role for a secure and sustainable energy supply«

This is Svenska Kraftnät's vision. It expresses our ambition to occupy a leading role in the energy sector – regardless of whether it concerns establishing a high level of reliability, a better functioning electricity market or building networks and creating the conditions to realize the Swedish Parliament's ambitions in terms of energy and climate policies. We will provide a national grid that is reliable and ensures personal safety. We will work to provide environmentally compatible and sustainable solutions for Sweden's energy supply.

During the past year all employees have been engaged in the work of articulating this vision and shared fundamental values.

Svenska Kraftnät's fundamental values reflect the values that should characterise the utility and that we wish to represent. The four value words are:

> Development
> Responsibility
> Efficiency
> Clarity

DEVELOPMENT
The dramatically increased rate of investment means that Svenska Kraftnät is facing new challenges. We need to develop, renew and expand the national grid. We must handle new technical solutions in everything from cables to wind power and IT systems. We must maintain a high level of expertise and play an active role in the European collaboration. To achieve this we must be development-oriented. We must be curious, proactive and willing to change.

RESPONSIBILITY
Svenska Kraftnät has a clear social responsibility, both in pursuing our missions and as a government agency. This includes responsibility for socially important infrastructure, but also responsibility for ensuring that Sweden is able to fulfil its ambitions and undertakings in relation to environmental and climate policies. It is through each employee taking personal responsibility that Svenska Kraftnät is able to fulfil its social responsibility. Responsibility is also an important aspect of Svenska Kraftnät's role as an employer.

EFFICIENCY
Svenska Kraftnät must operate efficiently and do so with satisfactory cost control. The rapidly increasing rate of investment underlines the requirement for efficiency. We should not simply do things correctly, we must also do the right things. Good planning, clear work processes and a well-adapted organisation are preconditions for accomplishing the tasks.

CLARITY
Svenska Kraftnät must talk in plain language when addressing the public, interest organisations, the electricity industry and the Government. We must treat the public, customers, stakeholders and the media in a factual and objective manner. We must be both transparent and accessible. We must be clear in our communication and in our messages – both internally and externally. A clear and sensitive leadership, straight communication and clear positions must be our signature.

04. SVENSKA KRAFTNÄT'S STAKEHOLDERS

Svenska Kraftnät was set up in 1992. We administer and develop Sweden's national grid for electric power – the Swedish electricity system's "motorways". We also ensure that there is a balance between electricity feeded into and withdrawn from the system at any moment in time. This and other parts of our operation 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 – large production plants and regional electricity networks. A prerequisite for the balance between feed-in and withdrawal of electricity is that generation is planned on the basis of a forecast for consumption. Svenska Kraftnät makes these forecasts in conjunction with the balance providers.

The balance providers are the companies that have responsibility for ensuring that the same amount of electricity is generated as is consumed on an hourly basis. Electricity producers or electricity trading companies are examples of balance providers. All electricity consumers have to have a balance provider as a guarantor for their consumption. In practice, each electricity supplier ensures that this is the case. Electricity suppliers can be balance providers themselves, or transfer the responsibility to another company. The local electricity network companies submit metered values on the consumption to Svenska Kraftnät, which uses them to calculate how the balance providers have balanced production against consumption.

System operators in other countries are also included as actors in the electricity market. Svenska Kraftnät have a close cooperation with Norway, Finland and Denmark in operating the electricity system efficiently. The international cooperation is being continuously developed and is gradually taking on an increasingly distinct European focus.

LAND OWNERS AND NEARBY RESIDENTS
Svenska Kraftnät administers approx. 15,000 km of power lines, and almost 150 transformer substations and switching stations. Besides administering and reinvesting in our existing network we are also building new plants. 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 AND PARLIAMENT COMMISSION OUR ACTIVITIES
Svenska Kraftnät is a state-owned public utility. Our activities are regulated by legislation, an ordinance consisting of instructions and an annual letter of governance from the Government. In connection with adoption of the national budget, Parliament sets the framework for Svenska Kraftnät's investments and financial activities. As a public utility and authority Svenska Kraftnät also has numerous contacts with other authorities.

OTHER STAKEHOLDERS
We have only mentioned a small selection of all our stakeholders above. Examples of others are municipalities, county administrative boards and operators in the natural gas market, the Nord Pool Spot AS electricity exchange, other authorities, suppliers, dam owners, journalists, wind power companies, universities, researchers, interest organisations and financial institutions.

05. IMPORTANT EVENTS IN THE BUSINESS

JANUARY

There was a cold start to the year in Sweden and the Nordic countries. Svenska Kraftnät was forced to activate parts of the peak power reserve in order to achieve the necessary margins in the Swedish power balance. An agreement was concluded with Vattenfall AB regarding putting a block (240 MW) of the oil-fired condensing power plant in Stenungsund on stand-by. The background was very low production in the country's nuclear power plants in combination with cold weather conditions and the resulting high electricity consumption throughout the country.

On the 25th of January, Svenska Kraftnät's Director General Mikael Odenberg wrote a comment piece in the Dagens Nyheter newspaper together with Yvonne Fredriksson, Director General of the Energy Markets Inspectorate and Tomas Kåberger, Director General of the Swedish Energy Agency, under the heading »Temporary price spikes demonstrate that the electricity market is working«. The article is a response to unreliable media criticism of the way the electricity market functions.

Svenska Kraftnät ends its participation in the Kriegers Flak project – offshore wind power in the Baltic with interconnections between Sweden, Denmark and Germany – and thereby gives up the EU funding that was promised. Without a decision on development of wind power on the Swedish part of Kriegers Flak,the project is not considered to be sufficiently economically viable.

FEBRUARY

Svenska Kraftnät and the Nordic electricity exchange, Nord Pool Spot AS, intensify the work of integrating Estonia, Latvia and Lithuania in the Nordic and European electricity market. Work commences with a joint plan of action to streamline the electricity trade and to optimise electricity transmission between the three Baltic states.

Svenska Kraftnät applies for the concession for the South Western Link's northern branch – a 400 kV overhead line from Barkeryd in Småland to Östansjö outside Hallsberg in Närke.

MARCH

The sale is finalised of Nord Pool's financial marketplace for electricity derivatives, Nord Pool ASA, to the Stockholm Stock Exchange NASDAQ OMX. This means that Svenska Kraftnät and the Norwegian Statnett have disposed of all clearing operations, international derivatives trade and consulting in order to instead focus on the marketplace for physical electricity trading, Nord Pool Spot, which is an important part of the electricity market's infrastructure.

A few days later Svenska Kraftnät's Director General Mikael Odenberg and Lietuvos Energija's CEO Aloyzas Koryzna sign a cooperation agreement in relation to the NordBalt project. The collaboration entails the construction of an electricity link between Sweden and Lithuania. The plan is for the link to be completed in 2016.

The Polish and Swedish grid operators, PSE Operator and Svenska Kraftnät, sign a joint statement to open the SwePol Link between Sweden and Poland to the market as soon as possible.

Svenska Kraftnät's environmental prize for 2010 is awarded to SandellSandberg Architects for the design of the new Anneberg sub- station in Danderyd outside Stockholm. The prize was presented by Director General Mikael Odenberg at Svenska Kraftnät's annual meeting of customers and stakeholders in Stockholm.

APRIL

Svenska Kraftnät and the EU Commission come to an agreement on how the transmission restrictions in the Swedish electricity network should be dealt with. As a result of the agreement Svenska Kraftnät announces that Sweden will be divided into four bidding areas from 1 November 2011.

Svenska Kraftnät applies for the concession for the South Western Link's southern branch from Barkeryd in Småland to Hurva in Skåne. For the first time high-voltage DC technology (HVDC VSC) will be used on land in Sweden. The aim is to reinforce transmission capacity to Skåne and counteract high electricity prices in the southernmost part of Sweden.

Svenska Kraftnät is awarded the concession for a 220 kV cable link between Danderyd and Järva. The link is a part of the Stockholm Ström project, where, together with the electricity network companies Vattenfall Eldistribution AB and Fortum Distribution AB, Svenska Kraftnät is going to build a completely new and more robust structure for the Stockholm region's electricity network.

MAY

Svenska Kraftnät announces the formal decision on division of Sweden into four bidding areas, which applies from 1 November 2011.

JUNE

The procurement of the power reserve for winter 2010/2011 is completed. It comprises a total of 1,900 MW, approx. 585 MW of which constitute a reduction in consumption, i.e. industrial companies that are prepared to reduce their consumption in return for compensation. The rest is made up of stand-by electricity generation.

JULY

Director General Mikael Odenberg and Head of Corporate Communications Malin Werner take part in the Almedalen Week on Gotland and their activities include a visit to the Swedish Nuclear Fuel and Waste Management Company's ships M/S Sigyn and HMS Wisborg. The Director General participates in a number of seminars and panel debates on topics including wind power and the future electricity network.

On 6 July the reactor in Alvesta breaks down. By taking over a reactor that was intended to be delivered to Statnett in Norway and exceptional efforts from large number of people inside and outside Svenska Kraftnät, a new reactor was already on site and operational later the same month.

AUGUST

The EU Commission decides to partially finance the NordBalt electricity link between Sweden and the Baltic States. The EU contributes 131 million Euros to the link and 44 million Euros for necessary network reinforcements in Latvia.

Svenska Kraftnät submits its annual report on the Swedish power balance to the Government. The report describes the situation during the previous winter and provides a forecast for the power balance (the peak power balance) at maximum electricity consumption during the forthcoming winter. Last winter's electricity supply was considerably more strained than anticipated. This was due to historically low availability in the Swedish nuclear power plants, simultaneous with a colder winter than normal. The forecast for the future is that the installed production capacity is continuing to increase and that the situation is looking more favourable, provided that there is normal availability in the nuclear power plants.

Svenska Kraftnät decides to build a new 400 kV national grid station, Råbäcken, west of Piteå, to connect the first phase of the large wind farm in Markbygden. 3,000 to 4,000 MW of new wind power is planned there, compared with total wind power installed throughout Sweden of approx. 1,500 MW.

New, six year operation and maintenance agreements for the national grid from 2011 were signed with six different contractors. The agreements include emergency call-outs, operational switchings, condition checks, inspections and administration of forests.

The Board of Directors decides to raise the national grid tariff from 1 January 2011. The energy fee, which cover the costs of transmission losses on the national grid, are raised by nine percent. Capacity charges, which cover Svenska Kraftnät's costs for administering and developing the national grid, are raised by 19 %. This means that the increase before tax is equivalent to three tenths of 0,1 SEK per kWh. This is approx. five SEK a month for a detached house with electric heating and 20,000 kWh electricity consumption 0,1 SEK per kWh.

SEPTEMBER

Seven young university graduates start an eighteen month trainee-period at Svenska Kraftnät.

Svenska Kraftnät takes part in the Swedish Civil Contingencies Agency's (MSB) national IT-security exercise NISÖ 2010. The exercise is conducted together with authorities that have specific responsibility for society's information security. The aim is to provide training in dealing with IT disturbances in Sweden's electric-

ity supply system.

Svenska Kraftnät participates for two days in the year's major wind trade fair, Vind 2010 in Göteborg.

Svenska Kraftnät sends out invitations for the regular conference on contingency planning and security – Kraftsamling. Under discussion this year is the electricity industry's work on risk- and vulnerability analyses and its capacity to deal with severe crises. The aim of the conference is to provide a better picture of what emergency planning there actually is within Swedish electricity supply.

OCTOBER

The lighting on the designer pylon for the power line in Åre is inaugurated. It is inspired by the Northern Lights' constant transformation and will be adapted according to the season's colours.

The Konti-Skan DC link between Sweden and Denmark breaks down. This is due to the fact that the sea electrodes that are used in transmission have been used at a higher rate than estimated. The breakdown results in a period of interruption to all electricity trade between Sweden and Jutland. After extensive repairs the link can be put into limited operation in the middle of November and in full operation in the middle of December.

Svenska Kraftnät's Board of Directors visits Lietuvos Energija and Litgrid in Vilnius.

NOVEMBER

Svenska Kraftnät and Statnett publish a joint report »Swedish-Norwegian Grid Development – three scenarios«. It presents the various requirements for reinforcements and extensions to the transmission networks, based on studies of three different scenarios. Adaptation of the national grids in order to connect renewable electricity generation, minimising price differences between the electricity areas and guaranteeing a good security of supply are a few of the challenges discussed in the report.

The annual EDIEL and settlement conference is held in Stockholm. Topics on the agenda include guarantees of origin, the requirement for metering by the hour, the route towards a Nordic end customer market in 2015 and the new division into bidding areas.

The Board of Directors takes the formal decision to invest to the tune of SEK 2.6 billion to build the NordBalt link from Sweden to Klaipeda in Lithuania. The link is planned for a capacity of 700 MW with the possibility of connecting a future wind farm on the Midsjö Banks.

Svenska Kraftnät participates in the Swedish Energy Agency's »Shortage of electrical power exercise2010«. The exercise is implemented in different phases and proceeds for a total period of two months. In November Svenska Kraftnät's entire crisis organisation takes part in a final simulation exercise.

DECEMBER

The procurement for NordBalt is concluded. Svenska Kraftnät, Litgrid and ABB sign contracts for the submarine cable totalling 270 million Euros and for two converter stations for 147 million Euros.

SwePol Link, the cable that links the Swedish national grid in Karlshamn with the Polish national grid in Slupsk, is opened for the market. This means that Sweden and Poland have fulfilled their promise to the EU Commission.

The Government finally awards the concession for the new link between Stenkullen and Lindome. It is important in securing the electricity supply for Göteborg and is also included as a part of the undertakings that Svenska Kraftnät made to the EU Commission in relation to reducing the problems of restricted capacity in the so-called West Coast constraint area. The concession procedure has been underway since 2004.

REPORT OF THE BOARD OF DIRECTORS 2010

06. OPERATIONS AND STRUCTURE

THE SVENSKA KRAFTNÄT PUBLIC UTILITY

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

Svenska Kraftnät shall:

- expand the electricity grid based on socio-economic profitability assessments
- have supervisory responsibility for questions that concern the 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
- administer issues concerning guarantees of origin for electricity
- monitor access to peak load capacity in the Swedish electricity system and provide regular information about power supply to operators in the market
- facilitate the expansion of renewable electricity production
- act as the National Security Authority for electricity supply
- provide the Government with an annual report of its work as the system operator for natural gas, in particular details of circumstances of significance for evaluating the gas market reform
- consult with the Energy Market Inspectorate in connection with execution of the Inspectorate's commission to prepare an annual report on security of supply for natural gas in accordance with applicable rules and directives
- consult with the Swedish Energy Agency in connection with the Agency's task of providing an annual report, in accordance with the Council's directive on measures to ensure a secure supply of natural gas
- provide a quarterly statistical report on electricity imports from third countries
- ensure that the regulations and procedures that the public utility has at its disposal are cost-effective and simple for citizens and businesses
- be responsible for the long-term planning and direction for electricity generation.

In relation to dam safety, Svenska kraftnät shall:

- monitor the impact of climate change and also follow and contribute to developments in the country
- work to ensure that methods of reducing damage as a result of high water flows are developed and utilized
- report regularly to the Government on developments and when necessary propose measures
- draw attention to the need for research
- be responsible for supervision as specified in the ordinance (1998:900) on supervision according to the environmental code
- consult with concerned authorities and organisations when necessary.

GOVERNANCE FOR THE GROUP

Svenska Kraftnät is a state-owned public utility and, in common with public administrative authorities, is controlled by the Government through a Government Agencies Ordinance (2007:515), an ordinance consisting of the instruction for the public utility (2007:1119) 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 Staff Representatives Ordinance (1987:1101), the Internal Audit Ordinance (2006:1228) and the Ordinance (2007:603) on Internal Management and Control apply for the Utility.

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. The Board of Directors has approved rules of procedure for Svenska Kraftnät. In his turn the Director General approves an internal procedure for delegation and rules of procedure that specify rules for the public utility's internal structure and mode of working.

For most of the year the Svenska Kraftnät Group consisted of the public utility, three subsidiaries and five associated companies in Sweden and Norway. The largest associated company is Nord Pool AS with its head office in Oslo.

INTERNAL GOVERANCE AND CONTROL

Internal governance and control refers to the process that has the function 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 making the utility's employees aware 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.
- Follow-up, which has the function of guaranteeing 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.

The Board of Directors has appointed an audit committee from within its ranks to prepare matters regarding internal management and control, financial reporting, risk assessment and internal auditing.

During 2010 we have been engaged in overall operations planning including risk assessment. Policies, guidelines and instructions have been produced in areas including overall operations planning, risk management, project work and finance. These have been announced on our intranet. We have also introduced a process for quarterly follow-ups of the organisation's goals at departmental level and public utility level. All quarterly reports are available for all employees.

OVERALL OPERATIONS PLANNING

During 2010 the Director General approved new guidelines for overall operations planning and following-up, as well as guidelines for risk management. The guidelines delineate the rules and regulations and the process that applies for Svenska Kraftnät's overall operations planning with the accompanying risk analysis. Following these guidelines will enable us to comply with the requirements as specified in the Ordinance on Internal Management and Control. Establishing these guidelines has been a step towards gradually introducing the method of conducting overall operations planning that was approved in autumn 2009.

The process for overall operations planning includes both determining long and short-term goals and conducting a risk analysis, with the aim of identifying the risks of not achieving the goals. A situation analysis and a number of focus areas act as starting points in determining the goals.

The situation analysis is updated annually. The focus areas show Svenska Kraftnät's over-

»TRANSMISSION ON THE NATIONAL GRID INCREASED BY 6 PERCENT«

all direction in forthcoming years.

Together the situation analysis and the focus areas constitute a document called planning preconditions, which is approved by the Director General. Its aim is to both achieve an organisation that plans and works with the same focus and to strengthen the internal management and control.

Besides producing the preconditions, all aspects of operations planning take place at departmental level. Of the goals that have been produced for respective departments, some of those that are deemed to be more all-embracing for the operation as a whole have subsequently been aggregated to public utility level.

Reporting of fulfilment of objectives and risk analysis takes place on a quarterly basis at both departmental and public utility level.
The focus areas for work during 2010 have been connection of renewable electricity production, efficient extension of the network, expanded European cooperation, skills provision, contingency planning, safety and environmental management. They also constituted the basis for production of the 2010 General Operations Plan at public utility level.

RISK MANAGEMENT

The Group's management of risk, in accordance with the requirements in the Ordinance on Internal Management and Control, is integrated in the various stages of overall operations planning. A risk analysis at departmental level is presented in each department's operations plan. It consequently does not comprise a separate activity, but is included as an element in the long and short-term planning as well as in the implementation and follow-up phase.

As well as producing guidelines for risk management during the year, supplementary instructions for risk analysis have also been drawn up and approved. The purpose of these documents is to clarify the policy for risk management and support the work on risk analysis throughout the operation.

Prior to 2010, Svenska Kraftnät carried out a risk analysis at public utility level where the responsibility for managing risks was placed at departmental level. The most significant risks from the risk analysis were presented in the chapters Financial Risks, Overall Operations Risks and Other Risks. During the year Svenska Kraftnät has worked on measures to deal with these risks.

As part of the work involved in the overall operations plan for 2011 Svenska Kraftnät has conducted a risk analysis on the goals that were produced at departmental level. The risks have then been identified as potential incidents that will prevent us achieving the objectives of our focus areas, or the goals that are established for our key ratio areas (presented in the 2011 General Operations Plan).

Svenska Kraftnät has compiled the most significant risks in a risk analysis report and produced a plan of action to deal with them. Twenty risks have been identified as significant risks and they are to be found within the following areas: Expansion projects and renewable sources of energy, breakdowns and sabotage, financial risks, environmental risks and IT related risks. Svenska Kraftnät has produced a plan of action for these that was subsequently approved by the Director General.

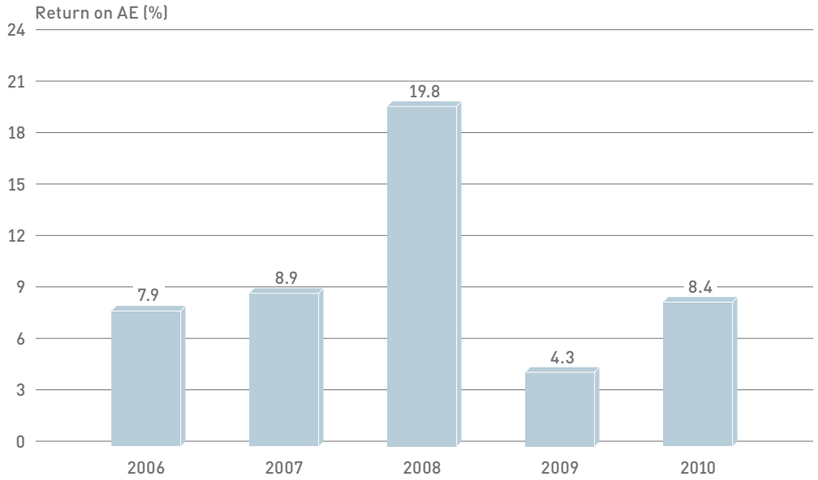
Every year the Board of Directors conveys its view of risk by familiarising itself with and approving the utility's general operations plan and overall risk analyses.

FINANCIAL RISKS

When transmission capacity within Sweden is limited, Svenska Kraftnät uses counter trading to reduce the transmission requirement in the parts of the country that are affected. The costs for counter trading are normally low, but can amount to large sums (tens of millions of kronor) in extreme operational situations. The risk has been accepted. The fact that a risk has been accepted means that an evaluation of the likelihood and consequences of the risk has been conducted. Based on the evaluation, an active decision has been taken not to institute any measures to reduce the likelihood or the consequences of the risk. The risk is instead regularly monitored so that measures can be taken if the evaluation of the risk changes.

To maintain the correct frequency in the electricity system Svenska Kraftnät purchases primary regulation, primarily from hydroelectric power producers. The size of the expenses depends on water supply in the reservoirs and on the price of electricity. In certain situations these expenses can double compared with normal conditions. The risk has been accepted.

When electricity flows through Sweden from a producer in one country to a consumer in another country, Svenska Kraftnät receives transit compensation. As a result of the new rules that were introduced in 2009, this normally generates a net income for Svenska Kraftnät in connection with net exports. However, there is a financial risk as it is hard to predict the size of the net income. The risk has been accepted.



Increased investments entail an increased financial risk for Svenska Kraftnät. The risks include increased interest expenses, increased expenses in connection with delays in projects and uncertain raw material prices. Measures to reduce the financial risks in projects constitute the introduction of risk analyses at the start of each project and more structured following-up of projects. To reduce the risk of delays in projects there is also a goal of clearer communication with external actors.

The currency risk is defined as the risk of flows and balances, as well as receivables and liabilities in foreign currency, changing in connection with exchange rate fluctuations. In early 2010 there was a significant currency risk in NOK. However, this risk has been minimised as a result of selling shares in Nord Pool ASA.

OVERALL OPERATIONS RISKS

Svenska Kraftnät's activities are of central importance for the Swedish electricity supply. They must therefore be regarded as being of particular social importance in both the short and long terms. Operations can be subjected to disruptions and stresses of many different kinds. Disturbances may be a result of technical shortfalls 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.

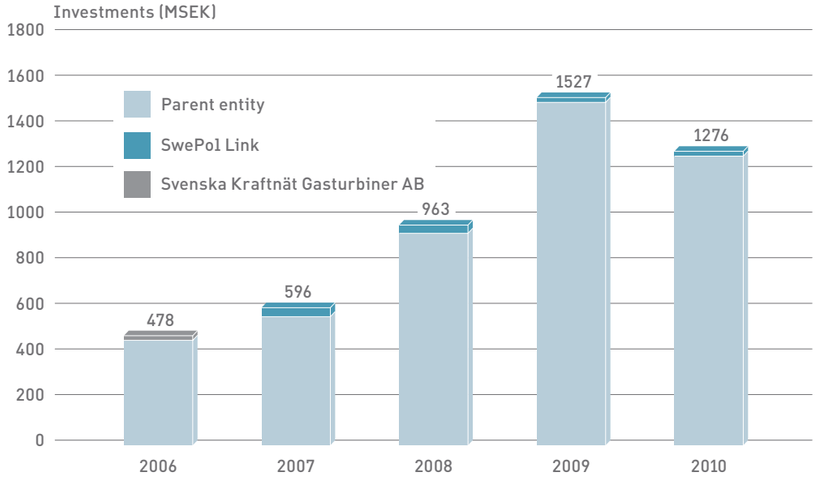
There is a relatively minor risk of the type of disturbance in the national grid that would have serious consequences for society and end customers. The grid is powerfully structured with ample potential to maintain electricity supply even during disrupted operating conditions. However, the risk of a 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 picture can change rapidly. In conjunction with converting or building new station facilities, Svenska Kraftnät has therefore substantially increased physical protection through stronger and higher fences. We have also started to install camera surveillance to monitor facilities, and to equip important elements with alarms.

OTHER RISKS

Svenska Kraftnät's ability 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 designed with a high level of redundancy. An important aspect of reliability is also to analyse and rectify any shortcomings in IT security. This takes place with respect to technology, rules and procedures, as well as work on conduct and a clear allocation of responsibility.

Svenska Kraftnät has an environmental management system to ensure and structure environmental work in projects. The risk is that Svenska Kraftnät does not comply with environmental legislation or that environmental assessments delay the investment projects. To reduce the risk we conduct environmental audits and set environmental requirements when procuring construction and maintenance contracts.



FINANCIAL GOALS

According to the letter of governance for 2010, Svenska Kraftnät (the Group) should achieve an average return on adjusted equity (the mean value of the restricted capital at the start of the year and at year-end plus 73.7% of the non-restricted equity), following deduction for tax equivalence of 6%, excluding profit components from sales in associated companies. The return on adjusted equity for 2010 was 8.4 (4.3) %, which means that the target for the financial year was achieved. The targeted return on adjusted equity has not been achieved on two occasions during the first decade of the 21st century, (2003 and 2009). In 2003 the principal reason was that it was a dry year and production from the hydroelectric power stations in Norrland was considerably lower than normal. The reason in 2009 was an extreme operational situation during the month of December that led to unforeseen expenses, including high costs for counter trade.

The debt/equity ratio was 31 (33)%, which is in line with the letter of governance's ceiling of a maximum of 60%.

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 during 2010 amounted to SEK 1,276 (1,527) million. New investments amounted to SEK 803 (1,143) million and reinvestments to SEK 473 (384) million.

The higher rate of investment commenced in 2007 as a result of the strategic projects Fenno-Skan 2 and Nea–Järpströmmen. During 2008 and 2009 investment costs continued to increase, mainly due to increased costs in these two projects.

The investments are allocated as follows within the Group's companies:

MSEK	2010	2009
Parent entity		
Investments in grid	**1,200**	1,401
Investments in fibre optic cables	**0**	47
Other intangible investments	**55**	54
TOTAL PARENT ENTITY	**1,255**	1,502
SwePol Link	**1**	1
Svenska Kraftnät Gasturbiner AB	**20**	24
TOTAL	**1,276**	1,527

The Swedish Parliament has approved an investment plan for 2010 of SEK 2,265 million. The investments in the national grid are lower than in the investment plan. This is primarily due to delays in two of the major ongoing projects and a postponement to the timetable in a further project. The delays are mainly due to the fact that it

is difficult to obtain concessions to build power lines. In many cases it is very difficult to estimate the time required in the permit process as projects differ greatly and are dependent on a large range of factors and authorities. It is Svenska Kraftnät's intention to thoroughly review the time schedules in future projects.

In accordance with Nordel's system development plan from 2004, five priority projects are in progress. The aim of the projects is to increase the interconnections between the bidding areas in the Nordic region. Svenska Kraftnät has undertaken to implement three of them – a new power line between Järpströmmen and Nea in Norway, Fenno-Skan 2 between Finnböle and Rauma in Finland, and the South West Link, a combined DC and AC link from Hallsberg to Hörby with a branch to Norway. The other two projects are the Great Belt connection between Jutland and Zealand in Denmark and Skagerrak 4 between Denmark and Norway.

The power line between Järpströmmen and Nea was completed on 16 May 2010 when the final sub-section was put into operation. The investment has cost some SEK 600 million and comprises some 100 km of new line. The transmission capacity for the old power line was already surpassed on the first day. The power line is delivering benefits for the Nordic electricity market and increased reliability. Investments during the year amounted to SEK 31 million.

The South West Link is Svenska Kraftnät's largest ever investment. It is estimated at over SEK eight billion and comprises some twenty projects. The aim of the South West Link is to strengthen and increase transmission capacity in the national grid to Southern Sweden and to Norway and also to boost reliability in the electricity system. The investment includes a new overhead line between Hallsberg and Nässjö, a new power line with DC technology between Nässjö and Hörby in Skåne and a new power line between Nässjö and Norway. The aim for the southern power line (Nässjö – Hörby) is a combination of overhead lines in existing powerline corridors to Värnamo and then underground cables alongside roads (primarily the E4), railways and power lines through to Hörby. Work on acquiring land and planning power lines and stations has proceeded during the year. Routing and technical implementation for the western section to Norway has been examined during the year. Investments during the year amounted to SEK 123 million. The timetable for this project has been adjusted, which is affecting the gap between the planned investment budget and the actual outcome for 2010.

The third prioritised project within Nordel's system development plan is Fenno-Skan 2, a DC link of 800 MW and 500 kV that is being constructed between Sweden and Finland. The investment comprises 200 km of submarine cable, 70 km of overhead lines, two converter stations and a new 400 kV station. The investments during the year amounted to SEK 240 million and the volume of investment in the project as a whole is estimated at SEK 1,700 million.

NordBalt is another foreign link that is going to be built between Sweden and Lithuania. It will link the Nordic electricity market with an emerging Baltic one. At the same time the link will contribute to improving the Baltic states' security in terms of electricity supply. This collaborative project between Svenska Kraftnät, LitGrid and Latvenergo has been prioritised by the EU Commission, which has allocated 175 million Euros to the project within the framework of the European Energy Programme for Recovery (EEPR), 131 million Euros of which are for the cable link and 44 million Euros for the requisite strengthening of the network in Latvia. Investments during the year amounted to SEK 75 million. In total the investments in the project are estimated to amount to SEK 3,200 million.

Stockholms Ström comprises gross investments of approx. SEK 5,600 million and affects the three network operators, Svenska Kraftnät, Vattenfall and Fortum, as well as 21 municipalities in the county of Stockholm. The aim is to achieve an improved network structure with reduced network losses and increased security of supply. A 400 kV ring is completed around Stockholm and parts of the old 220 kV network are being dismantled. This will enable approx. 150 km of powerline corridors to be released for exploitation. Implementation of several sub-projects within Stockholm Ström are dependant on co-financing from the municipalities and other landowners who will have valuable land released. A Network Owner Agreement has been concluded between Svenska Kraftnät, Vattenfall and Fortum. Work on cable links between Danderyd and Järva, Nacka and Ekbacken, Hägerstalund and Beckomberga, and also Värtan and Koltorp has proceeded during the year. Investments during the year amounted to SEK 118 million.

In order to secure a reliable electricity supply for the Göteborg area a new 400 kV line is planned between Stenkullen and Lindome. It will be built on sites including the powerline corridor that Svenska Kraftnät previously used for the DC power line Konti-Skan 1. The project has been delayed due to a lengthy permit process,

» SOMEWHAT LOWER RATE OF INVESTMENT IN 2010 THAN IN 2009; SEK 1,276 MILLION«

however the assessment is that it will be feasible during 2011-2012. The power line is also important in increasing the capacity over the so-called West Coast constraint area. The investments during the year amounted to SEK 21 million and the investment in the project as a whole is estimated to amount to SEK 259 million. This project too has taken longer than estimated due to difficulties in obtaining concessions.

Adaptations to enable the expansion of wind power is the driving force behind the majority of investments. Svenska Kraftnät is planning to connect Gotland to the Swedish national grid by means of two 500 MW DC links between the mainland and Gotland. The two existing DC links connected to the regional network are not sufficient for the development plans that are in place for wind power on the island. A wind farm is planned in Markbygden in a 450 km^2 area north west of Piteå. The total output of wind power is estimated at 3,000–4,000 MW. This extensive output requires a number of new connection points in the national grid. The first of them will be a 400 kV station about 65 km from Svartbyn.

New wind farms have implied that the power line between Stalon and Långbjörn and the power line between Linvasselv and Långbjörn have been refurbished in order to increase transmission capacity. A large wind farm is planned in the area around the 400 kV Storfinnforsen station with a total output of around 1,000 MW, which would entail replacing the power line between Storfinnforsen and Midskog with a new one. Investments for wind power adaptations during the year have amounted to SEK 56 million.

Increases in output from nuclear power plants are placing requirements on expanded transmission capacity. A new targety structure has been determined for the grid connections to Forsmark nuclear power station. The section between Ekhyddan via Oskarshamn and Barkeryd will be strengthened with a new power line. During the year investments due to increased nuclear output amounted to SEK 45 million.

Many of the stations in the national grid have been in operation for 50 years or more and are starting to show signs of age. Svenska Kraftnät has therefore drawn up a plan to renew the stations. This year reinvestments have been made in plants including Simpevarp, Hallsberg, Storfinnforsen, Forsmark and Ramsele. Investments to renew stations amounted to SEK 267 million during the year. These investments are expected to amount to a total of SEK 1,100 million.

All of the national grid's 400 kV power lines and most of the 220 kV power lines were originally built with earth wires of steel or aluminium alloy. Several of them are displaying damage from corrosion and vibrations and need to be replaced. An evaluation of the earth wires' condition has been conducted and they will gradually be replaced. In connection with replacing the earth wires it is often appropriate to simultaneously renew the telecommunications, or alternatively to install fibre optic cable in those sections where there are no telecommunications. In a few years all steel earth wires in the 400 kV network will have been replaced. During the year the earth wires have been replaced between Långbjörn and Linvasselv, Sollefteå and Gagnef, Stornorrfors and Hjälta, Borgvik and Skogsäter, Vittersjö and Hamra, as well as between Letsi and Isovaara. Investments during the year amounted to SEK 78 million. The investments in this area are expected to total SEK 447 million.

The concession for the power line between Östersund and Horndal has expired and is now subject to a new scrutiny. Strong demands for a change of route have been conveyed by the county administrative board in the county of Gävleborg, as well as by Ljusdal and Bollnäs municipalities.

A transformer broke down in Midskog in 2008 and a transformer was borrowed from Långbjörn. A new transformer was installed and put into operation during the year. The investment amounted to SEK 38 million. The investments in the project are expected to total SEK 43 million.

It has become more difficult to regulate the voltage levels in the national grid. In situations where there is low demand – for instance during summer nights – the set limit values are often exceeded, which can jeopardise reliability. In order to achieve acceptable voltage levels, eight reactors will be installed by 2015. Investments during the year amounted to SEK 35 million. The investments are expected to total SEK 304 million.

OPERATING REVENUE AND NET INCOME

The economic situation in Sweden improved during the first six months of 2010 and industrial output rose. In conjunction with the cold weather during the previous winter, this meant that electricity consumption in the country increased. Electricity-intensive industries raised their consumption volume, which in turn led to an increase in transmission of almost six percent in the national grid.

Svenska Kraftnät's (the Group) operating revenues increased during the year and amounted to SEK 10,547 (6,851) million. The main reasons were higher income for regulating and balance power sold, increased income from tariffs and higher congestion income. The income from congestion and regulating and balance power is due to the fact that the electricity price level was higher than during 2009.

Operating expenses amounted to SEK 9,762 (6,494) million. The higher electricity price level also brought about substantially increased costs for balance power of almost SEK 2, 500 million. The costs for loss power and energy compensation rose during the year by around SEK 700 million, primarily as a result of the utility's new agreement on purchase of loss power. On the other hand, costs for counter-trade decreased by almost SEK 120 million during the year and amounted to SEK 186 million. The higher costs in 2009 were mainly due to the extreme weather in December 2009 when a number of nuclear power plants were still non-operational. Back-up power was activated together with imports from Denmark and Germany.

Svenska Kraftnät remains in a recruitment period and 35 new full-time positions have been added since December 2009. Staff costs have thereby increased by SEK 17 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 51 million.

Share of income in associated companies amounted to SEK 20 million, which is SEK 11 million lower than last year. This is primarily due to the fact that the associated company Nord Pool ASA was sold to Nasdaq OMX in May 2010.

Group operating income amounted to SEK 805 million, which is SEK 417 million higher compared with 2009. The operating margin for the Group was 7.6%, which is 1.9 percentage points better than last year.

Net financial income/expense for the year amounted to till SEK -22 million, which is a deterioration of SEK 15 million in comparison with last year. The primary explanation is increased interest expenses for an allocation of SEK 31 million for indexation of the utility's pension liability in accordance with the new security grounds that the National Government Employee Pensions Board has adopted for public utilities.

Net Group profit for 2010 amounted to SEK 773 (375) million. The net profit margin with a deduction for standard tax amounted to 5.4%, which is an increase of 1.4 percentage points compared with 2009.

The Group's return on adjusted equity for the year amounted to 8.4 (4.3) % and 2.4 percentage points above the profitability target of 6%.

FINANCING

The parent entity finances its operations with equity and loans in the National Debt Office. Borrowing at the end of 2010 was SEK 1,252 (1,033) million and liquid funds amounted to SEK 313 (76) million. During 2010 Svenska Kraftnät has had a variable loan parameter with the National Debt Office that it has been possible to utilise up to SEK 3,500million. From 1 January 2011 the variable loan parameter will amount to SEK 5,000 million.

The subsidiary SwePol Link AB has had a loan at Handelsbanken since February 2007. As per 31 December 2010 the loan amounted to SEK 802 (884) million. Borrowing at year end in Svenska Kraftnät Gasturbiner AB amounted to SEK 144 million and the financing will take 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 identify areas for improvement, comparisons are made with other companies by means of benchmarking studies.

During the year a benchmarking study has been conducted together with the national grid companies Statnett and Fingrid. The companies are in the same phase as Svenska Kraftnät with substantially increasing volumes of investment and a major focus on project management. Cost levels and consumption of resources have been compared in the benchmarking study. The areas that have been analysed are administration of buildings and equipment, network development, IT, internal support functions and market design and settlement.

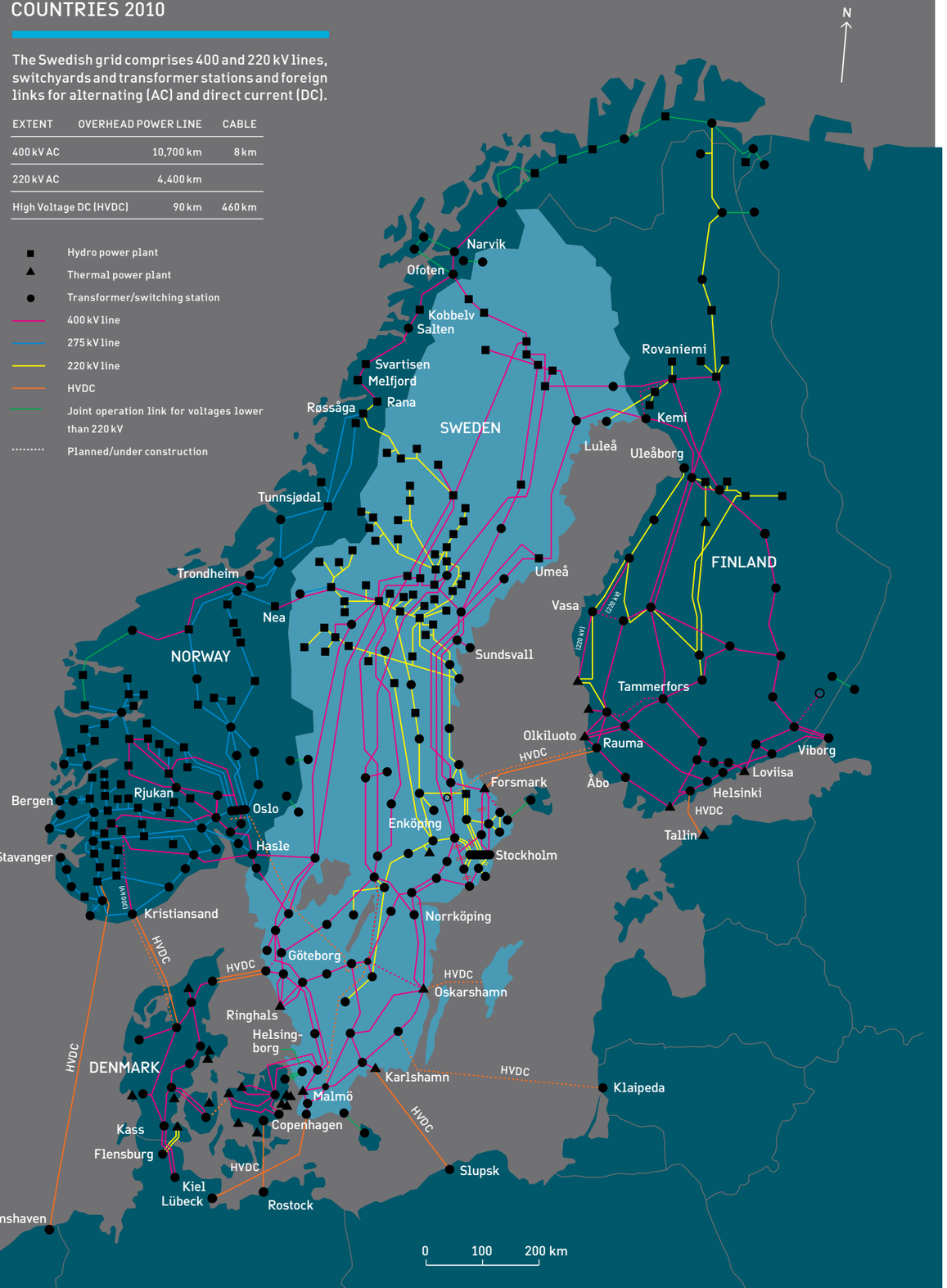
The results demonstrate that within most areas Svenska Kraftnät is positioned between the companies compared. The study indicates that within the IT field Svenska Kraftnät consistently uses standard products instead of developing its own systems, which leads to lower costs. In addition it shows that Svenska Kraftnät has succeeded in introducing a new project control model in a short space of time. Examples of improvement areas are risk management and quality assurance in construction projects.

Advancements as a basis for improvement measures will now be made in conjunction with Statnett and Fingrid within the areas of administration of buildings and equipment, network development, IT and construction projects.

THE POWER TRANSMISSION NETWORK IN THE NORDIC COUNTRIES 2010

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 POWER LINE	CABLE
400 kV AC	10,700 km	8 km
220 kV AC	4,400 km	
High Voltage DC (HVDC)	90 km	460 km



07. BUSINESS SEGMENTS

GROUP LEVEL (MSEK)	OPERATING REVENUE		OPERATING INCOME		INVESTMENTS	
	2010	2009	**2010**	2009	**2010**	2009
Transmission on the national grid	**4,224**	3,148	**710**	256	**1,239**	1,409
System operator – electricity	**5,928**	3,351	**41**	60	**19**	32
Telecommunications	**72**	69	**27**	36	**12**	86
System operator – natural gas	**49**	57	**4**	3	**-**	-
Chargeable activities	**7**	6	**3**	2	**6**	-
Associated companies	**-**	-	**20**	31	**-**	-
Contingency	**267**	220	**0**	0	**-**	-
TOTAL	**10,547**	6,851	**805**	388	**1,276**	1,527

PARENT ENTITY LEVEL (MSEK)	OPERATING REVENUE		OPERATING INCOME		INVESTMENTS	
	2010	2009	**2010**	2009	**2010**	2009
Transmission on the national grid	**4,014**	2,973	**653**	211	**1,231**	1,400
System operator – electricity	**5,931**	3,351	**48**	64	**6**	16
Telecommunications	**72**	69	**27**	36	**12**	86
System operator – natural gas	**49**	57	**4**	3	**-**	-
Chargeable activities	**7**	6	**3**	2	**6**	-
Contingency	**267**	220	**0**	0	**-**	-
TOTAL	**10,340**	6,676	**735**	316	**1,255**	1,502

Svenska Kraftnät's operations are divided by the Government into the above business segments. This chapter reports on operations carried out in 2010.

ELECTRICITY MARKET

The Electricity Market is divided into three areas; transmission of electricity on the national grid, system operator for electricity and renewable electricity certificates.

TRANSMISSION OF ELECTRICITY ON THE NATIONAL GRID

Svenska Kraftnät's network division comprises the construction, maintenance and operation of the national grid in Sweden, which consists of 220 kV and 400 kV lines with stations and foreign links administered by Svenska Kraftnät, including SwePol Link.

Svenska Kraftnät's network customers – that is to, say 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 cus-

tomer facilities. The tariff consists of a power component and an energy component. The charge for the capacity component is based on the power subscribed to by the customer on an annual basis for feed-in and withdrawal 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 outtake fee.

The energy fee is based on the transmission losses in the national grid that are occasioned by supply and extraction at the individual connection points. Reduced losses entail an equivalent crediting.

The energy component for 2010 was raised by 40%, while the power component was raised by 25%. For 2011 the tariff's power component will be raised by 19% and the energy component by 9%.

Congestion revenue and transit revenues also comprise individual items in network revenues. Congestion income arises when the Nordic market is divided up into different electricity areas due to lack of capacity. The income is used for investments in increasing capacity, thereby reducing limitations. Transit income consists of reimbursement for costs of electricity flowing through the national grid with its points of origin in other countries.

National grid fees generated SEK 3,328 (2,416) million. The power and energy components accounted for around half each.

Congestion revenue increased during the year and amounted to SEK 495 (289) million. The increased congestion income is primarily due to the cold winter in combination with low levels in the storage reservoirs and the continued operational problems experienced by Swedish nuclear power. This has resulted, mainly during the winter months, in major price variations between the Nordic price areas and thus to high congestion income for Svenska Kraftnät.

Transit revenues, on the other hand, have fallen sharply during 2010, comprising a total of SEK 12 (130) million. This decrease is also due to the particular conditions that have prevailed during the year and that have resulted in high electricity prices. The high electricity prices have led to increased imports and less transiting through Sweden[1].

Energy with-drawn during the year was 108.0 (101.7) TWh. The increase can primarily be explained by the general economic recovery and the severe winter.

[1] See also the Comments section on Income Statement.

NETWORK REVENUE (MSEK)	2010	2009
National grid fees		
Capacity charges	**1,671**	1,288
Energy fees	**1,657**	1 128
TOTAL	**3,328**	2 416
Congestion revenue	**495**	289
Transit revenue	**12**	130
Transmission on SwePol Link	**245**	214
Other network revenue	**85**	54
GRAND TOTAL	**4,165**	3,103

TRANSMISSION ON THE NATIONAL GRID	2010	2009
Energy fed into the national grid, TWh	**110.3**	104.4
Energy with-drawn from the national grid, TWh	**108**	101.7
Max power outtake, MWh/h (hour with highest power extracted)	**18,727**	18,265

The input subscription increased while the extract subscription fell somewhat compared with 2009. The number of customers connected to the national grid remained unchanged at a total of 24 (24).

POWER SUBSCRIPTIONS FOR THE NATIONAL GRID	2010	2009
Input subscription, MW	**21,302**	20,607
Extract subscription, MW	**20,561**	21,052
Number of customers	**24**	24

Transmission losses on the national grid amounted to 2.4 (2.7) TWh, which was lower than last year. The reduction can be explained by increased imports in Southern Sweden, as well as less transiting and thus decreased transmission from north to south, which has led to lower transmission losses.

TRANSMISSION LOSSES ON THE NATIONAL GRID	2010	2009
Energy losses, TWh	**2.4**	2.7
Percentage of extracted energy, %	**2.2**	2.6
Maximum power losses, MWh/h (hour with highest energy losses)	**758**	963

Operating income for transmission on the national grid amounted to SEK 710 (256) million.

Operating revenue increased by SEK 1,076 million compared with last year. The increased operating revenue can be principally explained by increased congestion income plus a higher national grid tariff, which increased during 2010 to SEK 495 (289) million and SEK 3,328 (2,416) million respectively.

Operating expenses increased by SEK 622 million compared with 2009, which is chiefly due to higher costs for purchase of loss power, SEK 1,269 (807) million, energy compensation, SEK 443 (201) million, and energy compensation, SEK 181 (119) million. The costs for counter trading, SEK 186 (304) million, fell during 2010 to more normal levels compared with last year.

The operating margin for the business sector amounted to 16.8%, which is 8.7 percentage points better than the corresponding period in 2009.

Svenska Kraftnät's principal goal is a high level of reliability in the Network operation.

EARNINGS FROM TRANSMISSION OF ELECTRICITY ON THE NATIONAL GRID (MSEK)	2010	2009
Operating revenue	**4,224**	3,148
Operating expenses	**-3,514**	-2,892
OPERATING INCOME	**710**	256

Reliability has been excellent during 2010. There were 224 (153) disturbances in the grid during the year, most of which were dealt with by the automatic 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.

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

DISTURBANCES	2010	2009	2008	2007	2006
Disturbances on the grid, no.	**224**	153	157	150	181
Ditto with power failure, no.	**10**	16	9	5	15
Energy not supplied (ENS), MWh	**5**	5	3	13	95
Power not supplied (PNS), MWh	**43**	37	58	37	156

SYSTEM OPERATOR FOR ELECTRICITY

System operator for electricity entails overall responsibility for Swedish electricity supply functioning reliably, and that electrical plants interact so that short-term balance is maintained between production and consumption. The Government has appointed Svenska Kraftnät as system operator for electricity. Svenska Kraftnät sets targets for reliability that are approved by the Government.

Voltage, frequency and flow of power must be kept within set limits to comply with the targets for reliability. Furthermore, there must be sufficient production reserves in the system.

The principles for reliability are based on a so-called n-1 criterion. This means that the power system must be able to withstand the most serious failure of an individual main component without a power failure occurring.

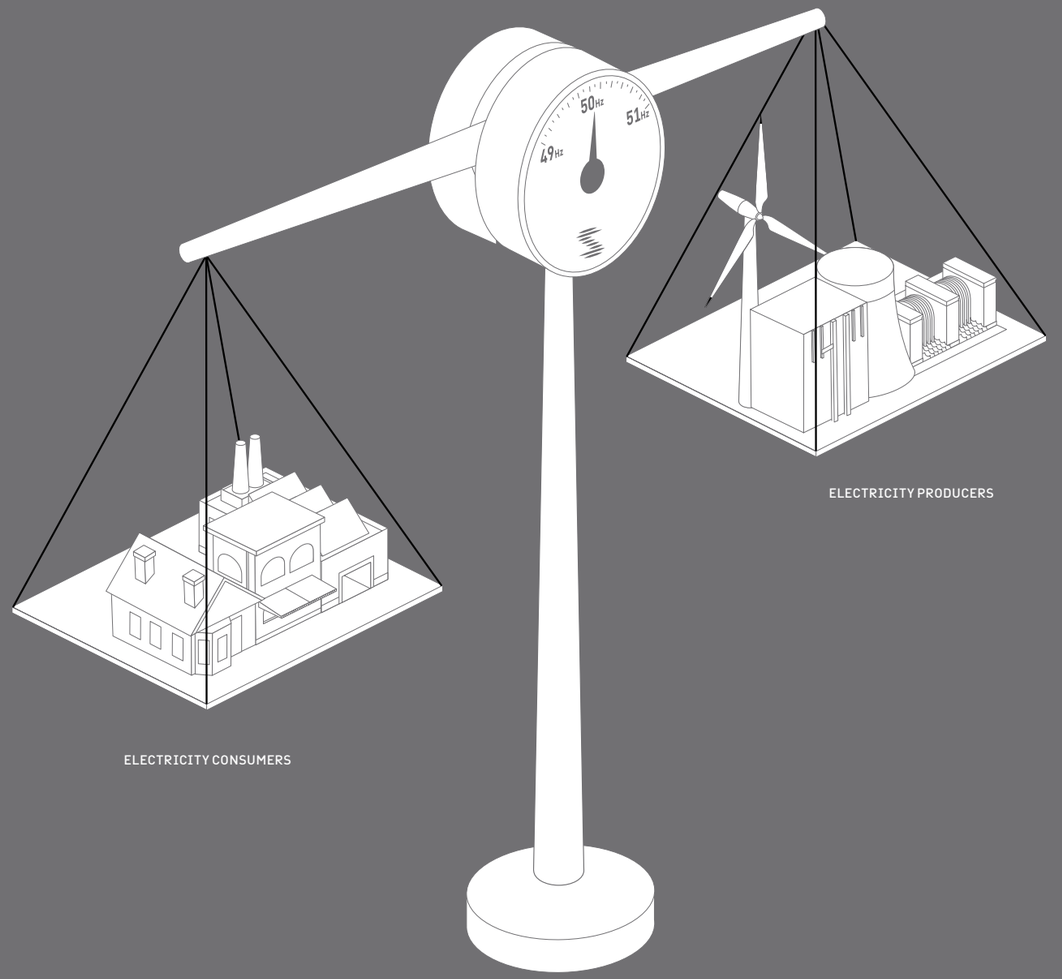
Svenska Kraftnät can instruct electricity producers, in return for commercial remuneration, to increase or decrease production of electricity and instruct network owners to disconnect electricity users in emergency situations.

With the support of the Ordinance on System Responsibility, Svenska Kraftnät is permitted to regulate requirements and obligations that must be observed in order to ensure that reliability targets are achieved.. Among other things, Svenska Kraftnät issues regulations on the technical design of production facilities (SvKFS 2005:2) and disconnection of electrical installations in critical operational situations (SvKFS 2001:1).

Disconnection is mobilised to prevent a total breakdown of the power system when all other options have been used. Disconnection of electricity users can take place both manually and automatically. It must be possible to execute manual disconnection within 15 minutes after being ordered to do so by Svenska Kraftnät and it can be put into effect in order to, for example,

THE ELECTRICITY BALANCE

Svenska Kraftnät maintains Sweden's consumption and production in balance. The frequency is a measurement of how 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 nominal frequency of 50 Hz.



deal with a power shortage situation. Automatic disconnection is a form of system defence to protect the system against collapse. Manual disconnection has hitherto never been used.

Frequency regulation
The frequency changes in the system are a measurement of load changes. Frequency regulation and power balance is achieved between production and consumption by means of regulating turbines in the production facilities. The peak power balance in a power system must be carefully maintained so that the frequency is maintained within set limits, 50 Hz +/- 0.1 Hz.

Voltage regulation
The voltage in the national grid must be regulated within set limits and it is an important magnitude with respect to electricity quality, transmission capacity and transmission losses. Two kinds of voltage fluctuation can be distinguished. There are both relatively slow variations depending on the day-to-day variations in electricity usage, and fast variations caused by switching objects that require a large load on and off, and major power fluctuations in the DC links with the continent.

Balance
The volume of revenues and expenses entailed in being system operator are assigned in relation to the management of the power balance. This is dealt with by Svenska Kraftnät's Balance Service and is called balance regulation.

An important part of the balance regulation is the approximately 30 balance providers that have signed agreements with Svenska Kraftnät to take responsibility for balance. 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 subsequently 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 reports a deficit one hour, 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.

The automatic reserves that are used for primary regulation are chiefly located at producers with hydro-electric 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 potential to start or stop production. Svenska Kraftnät also collaborates with the national grid companies in our neighbouring Nordic countries to enable it 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.

Capacity reserve
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. A total of 1,892 MW were purchased during the year, of which 583 MW were used for consumption reduction. 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 power reserve to the Group during the year amounted to SEK 76 (72) million. During 2010 the power reserves have been utilized partly for network reasons and partly for balance reason. On two occasions the power reserve was activated on Nord Pool Spot to enable supply and demand to balance.

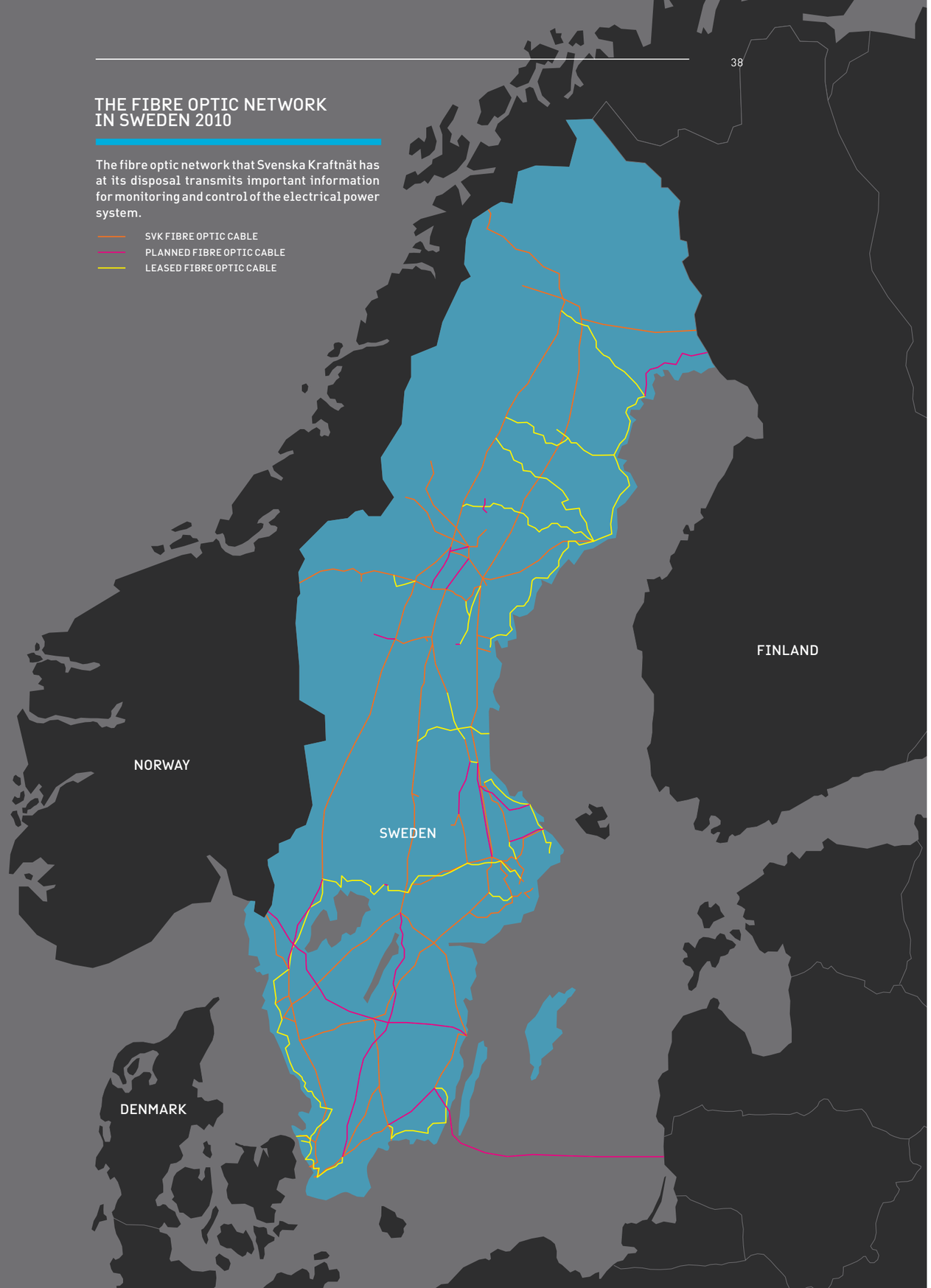
SYSTEM OPERATOR FOR ELECTRICITY (MSEK)	2010	2009
Operating revenue	**5,928**	3,351
Operating expenses	**-5,887**	-3,291
OPERATING INCOME	**41**	60

Operating revenue increased by SEK 2,577 million, or approx. 77% compared with 2009 and amounted to 5,928 (3,351) million. Revenues for sold balance power increased by SEK 2,581 million compared with last year. Balance revenues and balance expenses are governed by the market price of electricity and volumes of balance power. The increased revenues and costs during 2010 are primarily due to high electricity prices, but also to discrepancies in the balance providers' forecasts. Discrepancies in the balance providers' fore-

THE FIBRE OPTIC NETWORK IN SWEDEN 2010

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



casts have led to Svenska Kraftnät needing to buy and sell larger volumes of balance power.

Revenues from the balance providers for the state power reserve amounted to SEK 79 (83) million. These revenues are accounted during the winter months. The costs of the power reserve arise during the winter months as the agreements with suppliers are for one year. Operating income amounted to SEK 41 (60) million. The operating margin was 0.7%, which is a deterioration of 1.10 percentage points compared with last year.

During 2010 investments within System Operator for Electricity amounted to SEK 19 (32) million[2].

TELECOMMUNICATIONS

Svenska Kraftnät has built a nationwide telecommunications network to monitor and control the national grid, extending from Malmö to upper Norrland. Along with operating a cost-effective, high-security electronic communications network for tele- and data communication, this is the objective set by the Government for Svenska Kraftnät's telecommunication operation.

Today Svenska Kraftnät has a modern telecommunications network with both a high level of security and a high transmission capacity. The telecommunications network consists of fibre optic cable that is chiefly installed in the power-lines' earth wires. Svenska Kraftnät's telecommunications network currently consists of approx. 7,500 km of its own fibre optic lines and approx. 2,500 km of fibre optic cable that is leased from other network owners.

Svenska Kraftnät uses the fibre optic network to operate its own telecom network, with a modern telecommunications platform providing a high level of reliability and transmission capacity. The telecom network is an important element in maintaining a high level of reliability in the power transmission network, particularly during the development phase in the event of any major disturbances in the country's electricity system. In order to guarantee reliable operation, the telecom network is provided with a reserve system in the form of batteries and diesel generators.

During 2010 the fibre optic network has been extended by a total of 240 km in the following sections: Dannebo–Forsmark, Hamra–Ängsberg–Vittersjö, Storfinnforsen–Stugun, Stackbo–Ängsberg.

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

During January and February there were disturbances to the fibre-optic network in central Norrland. An investigation has been undertaken consisting of extensive measurements and tests to both new earth wires and those affected by the disturbance. Parts of these earth wires will be dismantled and analysed during spring 2011. All sections that were replaced during 2010 have functioned without defect during the cold period in November and December 2010.

Svenska Kraftnät's communication coped with serious disturbances comparatively well as the network is structured with several redundant walls. However, the external black fibre customers were affected by disturbances.
During the latter half of the year several sections of fibre have been replaced in order to reduce the risk of fresh disturbances during forthcoming winter periods. However, due to the lack of opportune power failures, not all sections with problems have been rectified prior to this season, the remaining replacements will be made in the summer. Alternative solutions have been utilized in these cases.

During the next five years Svenska Kraftnät needs to install approx. 1,500 km fibre in order to maintain the extensive rate of investment in the national grid.

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 business segment, Transmission of electricity on the national grid.

The revenue earned on commercial telecommunications operations amounted to SEK 59 (58) million and operating income was SEK 32 (37) million. With a calculated interest of 7% on employed capital, the operating profit for the financial year was SEK 25 (29) million. Within the Telecommunications segment, Svenska Kraftnät has additional external revenues amounting to SEK 13 (10) million from leasing of data networks, telephone networks and antenna locations on masts and pylons.

The total revenue for Telecommunications was SEK 126 (123) million. Included in this is SEK 54 (54) million in internal revenues from the Network business segment. Operating

[2] Further information is available in note 8.

income amounted to SEK 27 (36) million. Investments within the telecommunication operation for the year amounted to SEK 12 (86) million.

TELECOMMUNICATIONS (MSEK)	2010	2009
OPERATING REVENUE		
External	**72**	69
Internal	**54**	54
TOTAL	**126**	123
OPERATING EXPENSES		
External	**-50**	-44
Internal	**-49**	-43
TOTAL	**-99**	-87
OPERATING INCOME		
External	**22**	25
Internal	**5**	11
OPERATING INCOME	**27**	36

SYSTEM OPERATOR FOR NATURAL GAS

In its role as system operator, Svenska Kraftnät has overall responsibility that the balance between the feed-in and withdrawal of natural gas in Sweden is maintained. This takes place through monitoring the pressure in the transmission network and taking any measures necessary in connection with imbalances. The contractual relation with the balance providers includes regulating the imbalances that arise if the planned feed-in does not correspond to the actual withdrawal.

Withdrawal has increased during 2010, leading to an increase in the energy consumption charge that Svenska Kraftnät levies from the balance providers compared to 2009. Operating revenue for 2010 was SEK 49 (57) million. Expenses for the business segments amounted to SEK 45 (54) million. Operating income amounted to SEK 4 (3) million.

NATURAL GAS (MSEK)	2010	2009
Operating revenue	**49**	57
Operating expenses	**-45**	-54
OPERATING INCOME	**4**	3

CHARGEABLE ACTIVITIES

Renewable electricity certificates

Sweden introduced an electricity certificates system in 2003 to promote renewable electricity generation. The Act gives producers of renewable electricity the opportunity to receive one electricity certificate per MWh of electricity generated. The certificates can be sold to electricity suppliers and electricity consumers, who are obliged to purchase electricity certificates corresponding to a certain proportion of their sales and consumption respectively.

Svenska Kraftnät is the accounting authority with the task of issuing and keeping account of the certificates. The Swedish Energy Agency is responsible for other official tasks.

During 2010 Svenska Kraftnät issued 17.5 (15.5) million electricity certificates. Approx. 30 million electricity certificates were issued during the year at an average price of about SEK 295 per electricity certificate. Since the introduction of the system some 101 million certificates have been issued.

Wind power is the only type of production that is entitled to certificates that has enjoyed a percentage increase during the year, the others have fallen. Wind power has gone from a share of 16.0% during 2009 to 19.9% during 2010. Electricity generated from biofuels has accounted for approx. 65.3% of production entitled to certification and hydro power for approx. 14.8%.

Security of supply fee

According to the Ordinance (2008:1330) on certain charges in the natural gas area, each network owner must pay a security of supply fee to Svenska Kraftnät, of which half the fee goes to the Swedish Energy Agency. The purpose of the fee is to secure funds for infrastructural improvements in the gas market, as well as for work on security of supply within Svenska Kraftnät. Svenska Kraftnät came to an agreement with the natural gas sector that these funds should be used to hold a workshop within the area of risk and vulnerability, and also to prepare an industry-wide exercise during 2011[3].

Guarantees of origin

A new Act on guarantees of origin came into effect on 1 December 2010. The implication of the new Act is that it is not just renewable electricity that can receive guarantees of origin, but all electricity that is generated. The Act also makes guarantees of origin an electronic document that can be issued, transferred and rescinded. Svenska Kraftnät is the guaranteeing authority with the task of issuing and keeping account of the guarantees of origin. The Swedish Energy Agency is responsible for other official tasks.

[3] These activities are described in the chapter on contingency planning and security.

CHARGEABLE ACTIVITIES (MSEK)	2010	2009
OPERATING INCOME RENEWABLE ELECTRICITY CERTIFICATES		
Account fee	**6**	6
Administrative fee	**0**	0
Total	**6**	6
Security of supply fee	**1**	0
TOTAL OPERATING INCOME	**7**	6
Operating expenses electricity certificates	**-4**	-4
Operating expenses security of supply fee	**0**	0
TOTAL OPERATING EXPENSES	**-4**	-4
OPERATING INCOME	**3**	2

Total operating income for the chargeable activities business area increased and during 2010 amounted to SEK 7 (6) million. This income includes an administrative fee of SEK 9 (15) thousand. Operating expenses were SEK 4 (4) million and operating income was SEK 3 (2) million.

CONTINGENCY PLANNING AND SECURITY

Svenska Kraftnät acts to reduce the risks of serious disruption to society through extensive disturbances within the supply of electricity and natural gas, as a result of dam failure or high water flows. Further, that the overall resources available for electricity supply, resources from the Swedish Armed Forces and from civil defence activities as well as from other actors can be coordinated and combined in the event of serious disruptions to electricity supply in peace time. Finally, readiness shall be maintained for fast and effective command and information inputs in the event of damage to dams or serious disruption to the electricity supply in peace time.

The supply systems for electricity and natural gas should be built, maintained and operated in a way that is robust and resistant enough to withstand even severe strains with reasonable consequences for society. The vulnerabilities that exist in the system cannot be entirely prevented or built out. There should therefore also be adequate repair and crisis management capacity.

Threats and risks

In November 2010, Svenska Kraftnät submitted a report to the Government and the Swedish Civil Contingencies Agency (MSB) based on the risk and vulnerability analyses from 2008, 2009 and 2010, including a capacity assessment. 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 administration of the national grid and the foreign links

During autumn 2010 Svenska Kraftnät analysed the presence of European critical infrastructure (ECI) within the national grid in relation to the overall and specific sector criteria that are in directive 2008/114/EC. After consulting with the Nordic countries, Svenska Kraftnät is of the opinion that there are no installations or activities in the system/national grid that should be classified as ECI.

Development of electricity contingency planning

In June 2010 Svenska Kraftnät presented analyses and proposals for changes to the Power Contingency Act (1997:288) on the Government's behalf. The report describes a gradual development of electricity contingency planning and the need for substantial work on risk and vulnerability analyses, as well as a more long-term focus on system-wide contingency measures, including the development of fundamental security levels.

Electricity contingency funds

Svenska Kraftnät is responsible 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 in accordance with the Electricity Act. From the start of 2010 the funds that relate to electricity emergency measures are allocated under the appropriation, 1:11 Electricity contingency planning within expense area 21 Energy. For 2010 the letter of governance estimates SEK 250 million for electricity contingency planning and in the proposed budget, a corresponding amount for 2011 and 2012. During the year Svenska Kraftnät has also received a saving from 2009's allocation 2:4, of SEK 32 million.

The item refers to compensation for measures determined according to the Power Contingency Act and to cover the expenses Svenska Kraftnät incurs in exercising official authority in accordance with this Act.

Measures instituted during 2010 with the support of the Power Contingency Act
In order to increase the capacity of socially important activities to withstand serious disturbances, operations during 2010 have been principally focused on gas turbines, procurement, operation and maintenance of stored strategic emergency equipment, and measures to increase security and installation of back-up power and increased battery capacity in regional network stations. Activities and funds have also been used for research and development within dam safety and the area of electricity supply.

To increase the emergency management capacity for electricity supply, activities have been focused on ensuring communication with important facilities, including introduction of the Rakel communications system, as well as operation and maintenance of the reporting tool, Susie. In addition, training and exercises with staff have been promoted within the area of electricity supply. Island operation ability[4] has been strengthened through updating communication plans, refresher courses and "black-start" tests. The crisis management capacity has also been reinforced through training and exercise with personnel from voluntary defence organisations.

Dam safety
Svenska Kraftnät will promote dam safety in the country and act to reduce the risks of severe pressures on society through dam failure or high water flows. The task of monitoring and participating in the development of dam safety in the country includes responsibility for supervision with regard to issues of dam safety, highlighting the need for research, monitoring the impact of climate change on dam safety and acting to ensure that possibilities of reducing damage from floods are utilized.

In June 2010 Svenska Kraftnät presented a review of state initiatives for dam safety to the Government. The report deals with dam safety and preparedness for dam failure with respect to dam owners' self regulation, authorities' supervision and guidance, as well as financing issues. Svenska Kraftnät considers that dam safety needs to be developed. Strengthened government initiatives are chiefly justified by the presence of dams that, besides the danger to many people's lives and health, would cause serious disruptions to socially important activities in the event of dam failure. Work commenced during 2010 in dialogue with the concerned dam owners and authorities, to identify which dams belong to this category, and to develop procedures to strengthen supervision and guidance for this.

Development is underway in the power generating rivers - Lule älv, Skellefte älv, Ljungan, Ljusnan, Indalsälven, Dalälven and Göta älv - 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 (Ljusnan). During 2010 information about contingency planning for dam failure has been made available for the public along the Ljusnan River. Svenska Kraftnät's objective is that coordinated contingency planning should be in place in the ten large power generating rivers within a few years.

Natural gas supply – Fundamental safety measures and security of supply
During 2010 Svenska Kraftnät held a workshop in conjunction with the industry on risk and vulnerability and the capacity to withstand and deal with disturbances. Comprehensive work has also been undertaken to enable implementation of an industry-wide exercise in January 2011.

Communication (the Rakel system)
Svenska Kraftnät is engaged in introducing Rakel in both its own operations and within electricity supply in a concrete and direct manner. It is doing this through, among other things, providing information about, investing in and using Rakel within its own operations, within contingency planning for electricity and by developing use of Rakel in the industry. During 2010 Svenska Kraftnät has pushed forward the work of introducing Rakel in the utility's organisation and plants, as well as at the maintenance and service contractors that it engages. Rakel will be introduced into the operation during the first six months of 2011.

[4] Means that an electricity system is operated locally within a limited geographic area (production, transmission and consumption). The area may have been disconnected automatically from the rest of the network or planned for island operation.

»A LEADING ROLE FOR A SECURE AND SUSTAINABLE ENERGY SUPPLY«

08. RENEWABLE ELECTRICITY PRODUCTION

Together with other control mechanisms, the EU's climate objectives comprise powerful driving forces to move electricity generation in the direction of renewable forms of energy. In Sweden it is the renewable electricity certificate system that provides the prerequisites for an expansion of renewable electricity generation. The system of renewable electricity certificates was originally introduced in 2003. The target then was to increase the proportion of renewable electricity generation by 2016 by 17 TWh compared with 2002's level. In June 2009 Sweden's Parliament decided to further raise the target in the renewable electricity certificate system. The new target is now that production of electricity from renewable energy sources will increase by 25 TWh from the level in 2002 by 2020. During 2009 electricity production from renewable sources of energy and peat[5] amounted to 15.6 TWh. In comparison with 2002 this is an increase of 9 TWh.

To judge from the focus of energy policy and the expansion plans that are in place, it is primarily wind power that is going to be substantially developed in the foreseeable future in Sweden. The Swedish Parliament has set up a planning framework to enable the construction by 2020 of 30 TWh of wind power for electricity output, 20 TWh of which is on land and 10 TWh at sea. This can be compared with the total electricity production from wind turbines in 2009 which amounted to some 2.5 TWh.

Svenska Kraftnät views facilitating a large-scale introduction of wind power in the power system as a task of great social importance. It requires a flexible and solid national grid, a requirement that is always at the forefront of our priorities and studies. The number of enquiries regarding connection of new wind power plants to the national grid is gradually increasing. The document »Guidance for connection of wind power to the national grid« is available on Svenska Kraftnät's website with the aim of providing different actors with information on how Svenska Kraftnät deals with and assesses enquiries regarding connection of wind power to the national grid.

Together with the three large regional network owners, E.ON Elnät AB, Fortum Distribution AB and Vattenfall Eldistribution AB, Svenska Kraftnät maintains and updates 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 35,000 MW of wind power is planned in Sweden. Not all this wind power will be built, at least not in the short-term as the total far exceeds the national targets that have been set. However, it does indicate a great interest in building wind power in Sweden. For network operators this involves implementing the necessary network reinforcements to enable the new plants to be connected. This will be a major challenge in coming years as it is not possible to know in advance which of these wind power projects will actually be built, as well as the fact that it usually takes considerably longer to build powerlines than wind turbines due to the time taken in processing applications.

During 2010 Svenska Kraftnät has been involved in facilitating the establishment of wind power and renewable energy in numerous ways. A small selection follows below.

VINDLOV

The Swedish Energy Agency has been commissioned to develop a web-based service to make it easier for investors to manage the permit application process for wind power. Svenska Kraftnät has participated in this work.

VINDFORSK III

Vindforsk is a jointly-funded programme for basic and applied research into wind power. The Energy Agency funds 50% of the programme's costs. Svenska Kraftnät and other energy and industrial companies are financing 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 in Vindforsk III through participation in reference groups.

Svenska Kraftnät is also conducting a number of 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 joint finding the network connection solutions that are most economic to society. The most extensive studies follow below.

NORTH-SOUTH STUDY

A network study has been conducted together with Statnett, our Norwegian equivalent, against the backdrop of the comprehensive plans for expansion of wind power in Northern Sweden and Northern Norway. The study has surveyed the extent of the planned production expansion and also evaluated the transmission requirement that this expansion entails and which measures need to be taken. The study will comprise the basis for decisions on reinforcement measures in the two countries.

Alongside this study, a study is also underway with the focus on more local reinforcement measures in Northern Sweden. The work is being conducted in conjunction with Vattenfall Eldistribution AB and covers the counties of Norrbotten and Västerbotten, as well as parts of Västernorrland, where a total of approx. 12,000 MW of wind power is planned.

MARKBYGDEN

The Markbygden wind farm comprises part of the large amount of wind power that is planned in Norrland. It is a 450 km² area outside Piteå where applications have been submitted to build wind power. The estimated output may amount to 4,000 MW if the plans are followed through. The development will take place in stages and will also require that the network is expanded in stages to enable it to handle the large input of power. During 2010 Svenska Kraftnät made an investment decision on stage 1, comprising a new national grid station. A study is underway at Svenska Kraftnät regarding a connection point to the national grid for stage 2, and also the requirement for further network reinforcements for the forthcoming stages in the wind power development.

GOTLAND

In view of Gotland's excellent wind conditions and the municipality's overall planning for wind power, Svenska Kraftnät has made a general decision to connect Gotland to the national grid via a DC link to the mainland. Work is currently underway on the permit process and preliminary planning in relation to investment decisions and procurement.

[5] Peat is not regarded as a renewable source of energy, but is covered by the renewable electricity certificate system.

09. INTERNATIONAL COOPERATION

Svenska Kraftnät is engaged in delivering increased integration and harmonisation of the Nordic country's electricity markets and electricity networks, as well as further development of electricity market cooperation within Europe with the aim of promoting an internal market for electricity.

THIRD INTERNAL ENERGY MARKET PACKAGE

The EU's third package of legislation on the internal market for electricity and gas has resulted in an increased requirement for Svenska Kraftnät to have a European presence and focus. The internal energy market package will come into effect on 3 March 2011. On the part of Svenska Kraftnät, the work is conducted principally within ENTSO-E[6], the cooperation organisation for the European national grid companies. ENTSO-E's tasks include two that are of particular importance and that are described in the third package. These are to draw up a ten-year European network development plan[7] and to draft binding rules (so-called grid codes) that apply for Europe as a whole within a number of different areas.

The network development plan is not binding per se, but nevertheless, does specify planned projects and where network reinforcements are needed. The plan will be updated every other year and in June 2010 ENTSO-E presented the first version[8]. Development of infrastructure has been one of the major issues for energy in Europe during 2010 and Svenska Kraftnät has been strongly involved in the work.

The work of drawing up the binding rules has already started within the area of »technical requirements on generators«[9] and preparatory work has commenced for market integration and congestion management. This is an important area for Svenska Kraftnät so that it is able to have an influence and ensure that the rules that are drawn up harmonise with the Swedish ones.

The procedure that the commission initiated in relation to Sweden, and to a further 24 European countries, in connection with announcement of the third energy package, has proceeded during 2010. The procedure entails a possible violation of existing EU legislation[10]. During 2010 the Commission fundamentally questioned whether the foreign links, SwePol Link and Baltic Cable, were being managed in a fully market-oriented manner. Sweden has responded to the observations.

MARKET COUPLING

The integration of markets in Europe has been a major issue during 2010. Models corresponding to the Nordic model, where flows of power over links and area prices are determined simultaneously through so-called implicit auction, are being sought as a European target model. A European grouping, called AHAG[11], with members from several different groups of actors, has been working to produce a joint picture of how the electricity market should function. Partial results were presented at the Florence Forum in December 2010 and the work will continue during 2011.

Furthermore, during 2010 Svenska Kraftnät has been involved in several projects with the aim of integrating Sweden and the Nordic countries with adjacent countries through so-called market coupling. It can be mentioned in particular that the market coupling between the Nordic countries and Germany has been enlarged so that all of Central Western Europe[12] is included in the market coupling that goes under the name of ITVC[13]. The new model, which includes the Baltic Cable between Sweden and Germany, was introduced on 9 November 2010.

It is also worth mentioning here that during 2010 work has been conducted with the aim of further advancing the integration of the Nordic countries with Central Western Europe. The system operators in the area are working to achieve a common model for both day-ahead-trade and intraday-trade.

During 2010 market coupling was also introduced between the Nordic countries and Poland. The coupling was made through the SwePol Link electricity link and was implemented on 15 December 2010. This means that all connections between Sweden and adjacent countries are now being managed according to current market principles.

NORDIC HARMONISATION

During the year Svenska Kraftnät and Statnett have implemented a shared project on future scenarios for Swedish-Norwegian network development. The scenarios are an important basis for joint planning of future network expansion.

The work that Svenska Kraftnät initiated together with Statnett in 2009 with the aim of producing a common model for balance settlement has been expanded during 2010 to also include Fingrid and Energinet.dk, the system operating companies in Finland and Denmark respectively. A proposal for a model for balance settlement has been drawn up. The model will be presented in a report in early 2011 and submitted to the actors in the electricity market. The work constitutes a significant step towards the creation of a common Nordic end customer market.

DEVELOPMENTS IN THE BALTIC STATES

Development of the electricity market in the Baltic States and integration with the Nordic market made important progress during 2010. Besides the ongoing construction of the NordBalt electricity link, the Baltic market has been tied more closely into the Nordic market through, among other things, the incorporation of Estonia as a bidding area in the Nordic electricity exchange that is operated by Nord Pool Spot.

[6] ENTSO-E (European Network of Transmission System Operators – Electricity) was set up as early as December 2008, but started operations in June 2009 with the aim of fulfilling the provisions of the third internal energy market package.
[7] Ten Year Network Development Plan (TYNDP).
[8] The first plan (TYNDP) is regarded as a pilot project as, among other factors, the third package has not yet come into effect.
[9] Requirements on Generators.
[10] 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).
[11] Ad Hoc Advisory Group (AHAG).
[12] Germany, France, Belgium, The Netherlands and Luxembourg.
[13] Interim Tight Volume Coupling (ITVC) has the aim of ensuring that market coupling is of the volume coupling type.

10. R&D ACTIVITIES

Svenska Kraftnät shall contribute to and support technical research, development and demonstration within the fields of electricity transmission and electricity distribution. The aim is long-term improvement of the national grid and system operations with respect to reliability, efficiency and environmental compatibility. Development of knowledge and expertise in conjunction with the universities is also a prioritised area.

Research and development is also supported within the area of dam safety as well as risk and vulnerability issues for the power system. We 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. 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 2010 we used SEK 21 (20) million for research and development. Some of the projects undertaken are described below:

> A method of non-contact temperature monitoring of disconnectors has been built in prototype. We are now planning for a test installation during 2011.
> Further development of power system models for Svenska Kraftnät's power system simulator, Aristo. The simulator is used for operational analysis and power system studies. It is also important that the simulator is used in universities in order to contribute to strengthening expertise.
> Knowledge is being developed around so-called HVDC-VSC technology (Voltage Source Converter) for power transmission on land and at sea. Collaboration is underway with consultants and universities.
> 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. Master degree projects have been undertaken at KTH, resulting in a closer collaboration during 2011.
> SCADA–security is a new initiative within information- and operating systems, established during 2010. A collaboration is taking place between KTH, FOI and Svenska Kraftnät, in which we are financing research at KTH.
> New techniques for better assessment of status and risk of disturbances 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. The goal during 2011 is to introduce the method that is most appropriate for our maintenance operations.
> Support for the universities' Elektra research programme has been approved until the end of 2012. There has also been direct support for universities for certain research projects.
> Support for Vindforsk has been approved until the end of 2012. The principle focus is on the impact of wind power on the network.
> Initiatives within »smart grids« have been studied. As an element in this we are participating in an Elforsk project in the area that started in 2010.

Svenska Kraftnät supports development of knowledge and expertise within dam safety, partly through R&D projects and partly through support of the Swedish Hydro Power Centre, SVC. During 2010 support was provided for some ten projects, including warning the general public in the event of dam failure, discharge safety, risk analyses and flow rates from the perspective of climate change.

11. ENVIRONMENT

Svenska Kraftnät's vision is to play a leading role in a secure and sustainable energy supply. This is the basis for the utility's new environmental policy. Undertakings are also made with regard to developing energy efficient and environmentally-compatible solutions for transmission of electricity on the national grid, as well as facilitating the expansion of renewable energy. Work in relation to the environment will contribute to achievement of the national environmental quality objectives.

ENVIRONMENTAL WORK CONCERNS EVERYBODY

One objective for Svenska Kraftnät is to develop its environmental management system so that it can be certified according to the environmental management standard ISO 14001 during 2011. During the last year work has also been focused on ensuring that Svenska Kraftnät fulfils the requirements in the Ordinance on Environmental Management in Government Authorities (2009:907).

The environmental review from 2003 has been updated. The significant environmental aspects that should constitute the basis for priorities in the environmental work are:

Impact on the climate:

> Energy losses and electricity consumption.
> Emissions of the greenhouse gases carbon dioxide and sulphur hexafluoride.

Handling of hazardous substances:

> The heavy metals mercury, cadmium and lead.
> The chemicals PCB and creosote.

Svenska Kraftnät's activities are also leading to a positive environmental impact, which should be emphasised in the environmental work. Examples of this are that strengthening of the national grid is facilitating the expansion of renewable energy and reducing total losses. Another positive environmental aspect is that many power line corridors are home to a rich plant- and animal life.

With the environmental review as the starting point, all units have discussed environmental issues in their own operations. Environmental objectives, plans of action and routines have subsequently been prepared.

An account of the environmental management work is also submitted to the Ministry of Industry, Employment and Communications and the National Environmental Protection Agency in February every year. The account includes specified key figures for three different areas – travel on official business, energy and environmental requirements in procurements.

ACTIVITIES TO REDUCE CLIMATE IMPACT

The national grid's energy losses have been dealt with from an environmental perspective during the year. The main motive for minimising the losses are the costs, however, there are also reasons to emphasise the environmental aspects. Line outages cause an increase in losses in the network. Procedures have therefore been developed to give the losses increased focus in connection with planned outages. The "Live Working" (AMS) method delivers a significant environmental benefit in that stoppages, and thus also unnecessary energy losses, are avoided. For the first time Svenska Kraftnät has replaced pylons and dampers using the method. During 2011 replacement of an earth wire is also planned on a 400 kV line using AMS.

It has been routine procedure within the IT operation for some years to work with virtualisation and consolidation of servers in the computer suites. Further opportunities for energy efficient IT operation have been discussed. A review of new technical solutions for communication, including new video conferencing equipment, has commenced. Properly functioning communication equipment can save a lot of travel.

In compliance with the Ordinance (2009:893) on Energy Efficiency Measures for Government

Agencies, during the year Svenska Kraftnät has reported planned energy efficiency measures to the Energy Agency. As there is a greater potential for energy efficiencies in station buildings than in the utility's office premises, the parent company has chosen to implement measures in stations. A plan of action for 2011 has been drawn up.

Conflicts between local and global environmental interests are common in development projects. One example of this during the past year is the extensive requirement for removal of large amounts of material from an ongoing station construction, with large carbon dioxide emissions as a consequence. Svenska Kraftnät's ambition is to select the best solution from a sustainability perspective and therefore intends to deal with the material within the station area.

For many years Svenska Kraftnät has been pursuing systematic work to limit emissions of sulphur hexafluoride (SF6). In 2010 there was very little leakage of the greenhouse gas SF6, less than 0.2%.

ENVIRONMENTAL REQUIREMENTS IN CONTRACTS

The new environmental requirements that were introduced in 2009 for construction and installation contracts now also apply in the new maintenance contracts. Since 1998 environmental requirements have been compulsory in the contracts and the requirements have been gradually tightened. Dialogue on environmental issues works well with the majority of contractors. There is great interest in areas including the web-based environmental training for contractors that Svenska Kraftnät has produced.

We have also implemented a number of environmental audits in contracts during 2010. Examples of shortcomings that were noted in the audits are poor communication of Svenska Kraftnät's environmental requirements to subcontractors and suppliers, and absence of various types of documentation.

RESPONSIBLE HANDLING OF HAZARDOUS SUBSTANCES

An important aspect of the environmental work is ensuring that hazardous substances are not dispersed in nature. Some older 220 kV power lines in the national grid are constructed with wooden poles impregnated with creosote. New poles that have to be installed should have dry surfaces and be non-sticky when erected, but this is not always the case. Sticky poles are a work environment problem for the fitters, but also an environmental problem if creosote is spread from the poles out into surrounding land. During the year discussions have been held with both contractors and manufacturers of wooden poles on how to resolve the problems of poles that leak creosote.

Surface protection on hundred year old steel pylons was refurbished in a 220 kV powerline beside Göta Canal. The existing surface treatment was red lead with varying types of top coat. Major demands on environmental considerations were set in connection with implementation, which is why the pylons were hydroblasted prior to repainting. The method only leaves paint residues as waste, which can be easily collected up.

In July a reactor broke down in Alvesta. The majority of the 500 litres of oil that leaked out were contained in oil pits underneath the reactor, but a small amount of oil sprayed outside. To avoid further leaks 6,000 litres of oil were drained out of the reactor immediately after the breakdown and 700 kg of substances were decontaminated.

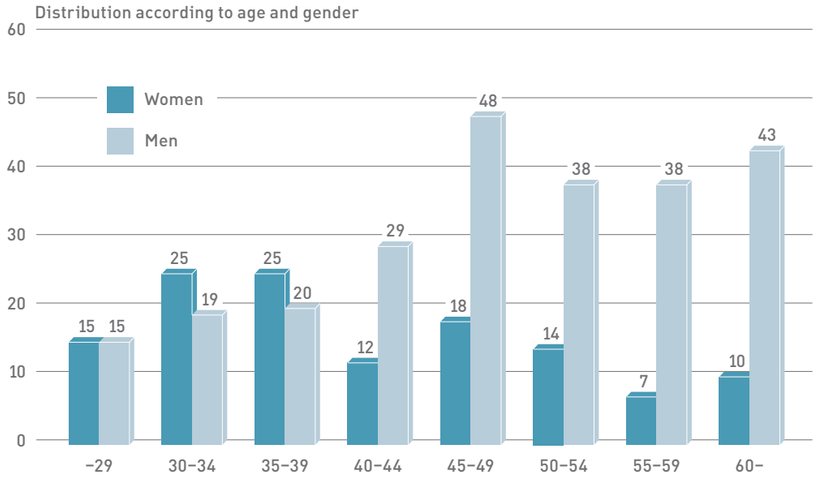
ENVIRONMENTAL PRIZE FOR DESIGN OF TRANSFORMER SUB-STATION

In March Svenska Kraftnät awarded its environmental prize for the fourth time. The prize went to SandellSandberg Architects for the design of a new national grid station in Danderyd. The station will be located in close proximity to houses and recreational areas and will have a visual effect on the surroundings. The architects' design enables the construction of an air-insulated switchyard that is well-adapted to the surrounding environment. An air-insulated switchyard is advantageous from a global environmental point of view compared with a gas-insulated switchyard where the greenhouse gas SF6 is used as insulation.

COOPERATION ON THE INFRASTRUCTURE'S BIOTOPES

During the year Svenska Kraftnät has worked in conjunction with the Swedish Board of Agriculture, the Transport Administration, Swedavia and the Swedish Biodiversity Centre (CBM) on a joint project concerning the infrastructure's biotopes. An application for funding for the project has been submitted to the EU fund LIFE+, the EU's financing programme for environmental projects. The aim of the project is to develop new maintenance methods for roadsides, embankments, powerline corridors and airports, which will promote increased biodiversity. If the funds are awarded the project will start in 2012.

12. EMPLOYEES



AN ATTRACTIVE EMPLOYER

Svenska Kraftnät shall be an attractive employer with competent employees who are content in their work. The utility is a knowledge intensive organisation. This requires focus on the utility having the correct skills for the roles in the organisation that involve responsibility.

Similarly to many other organisations 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 2010 the high rate of investment has had a significant impact on the need to review skills provision within Svenska Kraftnät. During the year the rate of recruitment has remained at a high level, as has the the need for all employees to develop their expertise. A shortage of resources has arisen within a number of specialist technical fields.

The number of permanent employees in the Group at year end was 376, converted into full-time employees this is 360 (325), of which 247 (230) are men and 113 (95) women. Staff turnover amounted to 4.3 (5.3) %, including retirement. Sick leave during the year was 2.1 (1.6) %. The average age within Svenska Kraftnät is 45 (45). Distribution according to age and gender for permanent employees in the Group is shown in the diagram above.

A total of 52 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 OUTCOME DURING 2010

During 2010 Svenska Kraftnät set up five target areas its skills provision work. These target areas were skills planning, work environment and health, gender equality and diversity, leadership and vision and values.

SKILLS PLANNING

The target for skills planning has been that each department, unit and employee should have a development plan based on a fundamental skills analysis, an active transfer of expertise from older to younger employees shall be planned, the number of employees who change jobs internally (job rotation) shall be in excess of 20 and a model for staff exchanges with other national grid companies shall be developed. The objective was also that the trainee programme should be developed towards a content that is more international and aimed towards the world at large, collaboration with selected universities and upper secondary schools will continue and staff turnover shall decrease to below 5%. Age distribution should increase through the recruitment of younger academics.

WORK ENVIRONMENT AND HEALTH

Within work environment and health the targets mainly consisted of reducing sick leave among Svenska Kraftnät's employees and that those who are long-term sick shall be enabled to return to work. The concrete aims were for sick leave to be less than 2% and the proportion of long-term healthy employees to increase to 62%, for work-related absence to be prevented, and where it arises for it to be dealt with promptly. The objective was also for all long-term sick to be able to return to work. To promote the safety of employees at Svenska Kraftnät, targets were set that two specific electrical safety audits should be implemented in relation to both investment and maintenance projects. In addition, all environmental coordinators within the area of construction should undergo the necessary training.

GENDER EQUALITY AND DIVERSITY

Within the areas of gender equality and diversity the aim was that Svenska Kraftnät should be regarded as an organisation that offers equal opportunities with the proportion of female employees increasing to 30%. Targets were also set to promote cultural diversity through recruitment, and for Svenska Kraftnät to be regarded as a very good employer for the parents of young children.

LEADERSHIP

A management programme for both the management team and unit managers shall commence during the year to improve leadership within Svenska Kraftnät. A preparatory management programme for employees who do not hold managerial positions shall also be implemented during the year. The aim was also for the proportion of female managers to increase to over 30%.

VISION AND VALUES

In order to clarify Svenska Kraftnät's values, a target was also set that a new, approved vision and fundamental values should be laid down.

OUTCOME 2010

During 2010 59 permanent employees were recruited, of whom 26 were women and 33 men. The average age of these new employees is 35 (38). Staff turnover has decreased marginally and the number of employees who have left the organisation is 8 (4). 7 (13) employees have ended their employment due to retirement and 27 (22) employees have changed unit or department within the company.

During the year seven trainees commenced their programmes, of whom five were women and two men (six certified engineers and one systems analyst). The programme has been extended to eighteen months with a six-month placement at an authority/business affiliated with Svenska Kraftnät abroad or in Sweden.

The proportion of female employees has increased to about 31 (29) %. The proportion of female managers was 30 (30) % at year end.

SICK LEAVE (%)	–29	30-49	+50	TOTAL
Women	1.7	3.8	1.2	**2.8**
Men	1.3	1.3	2.3	**1.7**
TOTAL	1.5	2.3	2.1	**2.1**

Svenska Kraftnät has continued its focus on creating a healthy and safe workplace. Sick leave has increased marginally to 2.1 (1.6) %.

The proportion on long-term sick leave of over 60 days is only 0.8 (0.6) %. 59 (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. Of particular note is the relatively high sickness absence among women aged 30–49.

A large proportion of Svenska Kraftnät's operation is conducted through contracts in the form of construction contracts and maintenance work on power lines and stations. Two day training courses to ensure a satisfactory, safe work environment on construction sites were held on two occasions for almost ninety employees involved in the investment operation.

During the course of the year Svenska Kraftnät has invested some SEK 23,000 per employee in external development activities, an increase over last year. The parent entity completed management programmes for both the management team and unit managers. However, no preparatory managerial programme was commenced. The programme will instead start during January 2011.

During the year each department and unit specified which areas of expertise will be essential for the operation in a few years time, and also which skills gaps need to be filled. They also specified the areas of expertise within which we are relying solely on one key individual. The specification also detailed which activities are needed to remedy these skills gaps and the risks that will arise if they are not implemented.

Almost all employees have had at least one performance appraisal during the year, at which individual development plans have been documented.

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 2010, 48 employees have made plans for this type of skills transfer. Of these, 13 employees have such business critical expertise that special initiatives are necessary.

Svenska Kraftnät is regarded by employees as an organisation that offers equal opportunities and as a good employer for the parents of young children.

During the year Svenska Kraftnät has participated in four careers fairs at technical universities, and has also supervised two degree projects and three doctoral theses.

Svenska Kraftnät's new vision and fundamental values were established after extensive work involving all staff.

TARGET FOR SKILLS PROVISION 2011

The continuing high rate of investment will have a major effect on skills provision in 2011 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 will therefore conduct an extensive skills analysis on an annual basis to ensure that the organisation has the right expertise, especially in the light of technological developments, new external demands and large numbers of retirements.

An employee survey will be conducted during 2011. Regular surveys provide Svenska Kraftnät with information on how well we are succeeding in being an attractive employer in which employees feel involved, are content, participate and perform satisfactorily.

Svenska Kraftnät will focus its work for 2011 within the following target areas:

- Skills provision.
- Work environment and health.
- Gender equality and diversity.
- Leadership.
- Vision and values.

SKILLS PROVISION

During 2011 Svenska Kraftnät will recruit over 50 new employees. At the same time there will be a major need for all staff to develop and modify their own skills. A skills analysis will be implemented and followed up at departmental, unit and individual level. The analysis will also focus on future management provision and the development of specialists, as well as the need to increase participation in the European work. It will also be based on the effect of a large number of retirements. Svenska Kraftnät must also be active at universities in order to secure new generations within the electricity industry.

Goals for 2011:

- Every department and unit shall detail which areas of expertise are essential, which skills gaps are to be filled and which risks can arise if the gaps are

not remedied.
> Svenska Kraftnät shall present plans for transfer of experience from older to younger employees.
> Svenska Kraftnät shall implement the trainee programme.
> Svenska Kraftnät shall participate in four careers fairs, and also offer degree projects to five students.
> Svenska Kraftnät shall shorten the lead time for recruitment processes to six weeks.
> The number of employees who change jobs internally (job rotation) shall be in excess of 25.
> Svenska Kraftnät shall offer the option of more individual benefits and more flexible terms of employment.

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 on training, routines and follow-up of work environment issues in investment projects and the maintenance operation.

Fitness activities will be both preventive and remedial and will lead to an increased attendance at work and the low level of sick-leave being maintained. A clearly articulated goal is that no employees should be sick on a long-term basis.

Goals for 2011:
> Sick-leave shall be less than 2%, with specific measures for the 30-49 age range.
> The proportion of long-term healthy employees shall be in excess of 62%.
> Work-related absence shall be prevented and where it occurs shall be rectified immediately.
> All long-term sick shall return to work.
> All departments and units shall conduct a risk assessment of the work environment.

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.

Goals for 2011:
> The proportion of female employees shall increase to 32%.
> 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.
> Svenska Kraftnät shall formulate new guidelines for gender equality and diversity.

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 2011:
> A management programme for 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%.
> Every manager shall be offered individual managerial support.

VISION AND VALUES

Distinct and clearly formulated fundamental values are of major benefit to the operation. The image of Svenska Kraftnät both internally and externally towards the world at large is clarified, providing support to all employees in how to act and conduct themselves at work, as well as in different situations. It is important that all employees are aware of our fundamental values and how they are to be used. A project to garner support for Svenska Kraftnät's new fundamental values shall therefore be implemented.

TARGET FOR SKILLS PROVISION 2012/2013

The continued increase in the rate of investment and the high level of retirements will have an effect on skills provision in the coming years. Svenska Kraftnät must therefore particularly develop employees into technical specialists or recruit this category. Svenska Kraftnät will also stimulate the recruitment of younger academics and increase the proportion of women and female managers, primarily in the engineering departments. There will be an increased need for effective skills planning. Svenska Kraftnät's ambition is to be one of the most attractive employers in Sweden.

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 2010 there were also sub-goals for project activities and electrical safety.

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 2010 was 100% of a monthly salary. The allocation for 2010 is SEK 16.6 (10.0) million, including national insurance expenses.

ELECTRICAL SAFETY

In this context the term electrical safety refers to responsibility for electrical safety in relation to persons, pets and property. A high level of electrical safety is one of the overarching goals within Svenska Kraftnät and its subsidiaries. Svenska Kraftnät is working towards a zero vision as regards electrical accidents and near-misses.

We have been spared fatal accidents for several years. Accidents are also at a low level. However, there are a higher number of near-misses and there is a risk that not all incidents are reported. The excellent statistics are the result of the management, staff and contractors taking in-depth responsibility and having a high level of expertise in relation to safety. The plants are developed, designed, built and maintained in order to minimise the risk of accidents. The public must also feel safe when they are in the vicinity of Svenska Kraftnät's plants.

During 2010 some 5,500 jobs were carried out in and adjacent to our plants. Three accidents were reported. Two of them were minor and none of the accidents led to sick leave. Eight near-misses were reported. One accident and one near-miss were deemed to be sufficiently serious that Svenska Kraftnät decided to submit a detailed report to the National Electrical Safety Board.

As planned, Svenska Kraftnät introduced electrical safety audits during the year as a tool in assessing how well Svenska Kraftnät and its contractors are following the rules and regulations in relation to electrical safety.

Some important events during 2010:
> The strengthening of the electrical safety organisation that was previously determined has been implemented. The focus has been primarily on supporting the line operation in the increasing number of investment projects, but also on follow-up and control.
> The staff involved within Svenska Kraftnät have undergone electrical safety training in accordance with regulations.
> Svenska Kraftnät has conducted two advance notice audits of how electrical safety is being dealt with in the operation. The audits have displayed excellent results throughout, but also revealed certain shortcomings.
> Unannounced electrical safety inspections have been implemented at a number of Svenska Kraftnät's workplaces. The results indicate an increased need for more unannounced inspections during 2011.
> The free movement of labour within the EU is producing demands for a changed approach to electrical safety issues in connection with procurement of investment projects. Despite uniform European electrical safety standards, there are some differences between countries. Svenska Kraftnät views the shortcomings that have been revealed in connection with near-accidents, audits and inspections with some concern. To ensure that competition can take place on equal terms, Svenska Kraftnät is actively engaged in strengthening both Swedish work environment requirements and Swedish electrical safety requirements in connection with procurements.

Goals for 2011:
> At least three preannounced electrical safety audits shall be implemented at Svenska Kraftnät's maintenance or investment projects.
> At least four unannounced electrical safety inspections shall be implemented at Svenska Kraftnät's workplaces for maintenance or investment projects.
> Investigation of electrical accidents and serious incidents shall be improved.

13. SUBSIDIARIES AND ASSOCIATED COMPANIES

The Svenska Kraftnät Group has three subsidiaries and five associated companies in Sweden and Norway. One associated company was sold during the year.

SUBSIDIARIES

SWEPOL LINK AB

The company operates and maintains the 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 submarine main cable and two return cables between these stations. The link is rated at 600MW. 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 owns 51% and the Polish company PGE Polska Grupa Energetyczna SA owns 49%.

Turnover during 2010 was SEK 246 (214) million. SwePol Link AB turned over SEK 182 (164) million and the Polish subsidiary SEK 64 (50) 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 long-term resources for dealing with disturbances in the power system. Today the company has a total of eleven gas turbines in Varberg, Norrköping, Trollhättan, Norrtälje and Göteborg with a combined capacity of 700MW.

Turnover for the year was SEK 91 (80) million.

SVENSKA KRAFTKOM AB

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

ASSOCIATED COMPANIES

NORD POOL ASA

Nord Pool ASA is a financial trading exchange for operators in the Nordic electricity market. Svenska Kraftnät and Statnett SF in Norway each owned 50% of the company until May 2010, after which all shares were sold to OMX AB.

NORD POOL SPOT AS

The company organises a physical trading exchange for electricity in the Nordic region and Estonia, the so-called electricity spot market. 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 physical electricity spot market amounted to 334.9 (285.5) TWh for the year. During 2010 the company had a gross turnover of NOK 144 (92) million and a net turnover of NOK 124 (108) 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 25 (23) million during 2010.

KRAFTDRAGARNA AB

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

Svenska Kraftnät owns 50%, Vattenfall AB 25% and Vattenfall Eldistribution AB 25% of the company.

Turnover during 2010 amounted to SEK 47 (28) million.

STRI AB

The company conducts research and development within the field of electrical power transmission on behalf of its co-owners and other parties. The co-owners consist of Svenska Kraftnät with 25%, ABB AB 50%, Statnett SF 12.5% and Vattenfall AB 12.,5%.

The company's turnover amounted to SEK 86 (77) million.

ELFORSK AB

Elforsk conducts joint operations 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% of the company and the remaining 75% is owned by the industry association.

Turnover during 2010 was SEK 169 (122) million.

RESULTS FOR ASSOCIATED COMPANIES (MSEK)	2010	2009
Nord Pool ASA (up to and including 31 May)	9	25
Nord Pool Spot AS	5	4
Kraftdragarna AB	4	1
Others	2	1
TOTAL	20	31

EARNINGS

Those associated companies that are part of the Group and that normally have the greatest impact on the Group's earnings 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 2010 amounted to SEK 20 (31) million. The change in profits is due to the fact that from June 2010 Nord Pool ASA is no longer part of the Group.

SEVEN YEAR REVIEW FOR THE GROUP

INCOME STATEMENT (MSEK)	2010	2009	2008	2007	2006	2005	2004
Operating revenue	**10,547**	6,851	7,717	6,326	6,838	5,885	5,335
Operating revenue excluding depreciation	**-9,098**	-5,881	-6,328	-4,941	-5,581	-4,445	-4,201
Depreciation	**-664**	-613	-585	-590	-569	-558	-537
Share of income in associated companies	**20**	31	1,069	69	48	30	23
OPERATING INCOME	**805**	388	1,873	864	736	912	620
Financial items	**-22**	-7	-67	-127	-55	-29	-67
INCOME AFTER FINANCIAL ITEMS	**783**	381	1,806	737	681	883	553
Tax on income for the year	**-10**	-6	-3	-5	-5	-3	-15
NET INCOME FOR THE YEAR	**773**	375	1,803	732	676	880	538
BALANCE SHEET (MSEK)							
Intangible fixed assets	**282**	284	259	226	224	207	171
Tangible fixed assets	**10,400**	9,782	8,893	8,549	8,545	8,655	8,916
Financial fixed assets	**96**	347	1,528	467	416	391	372
Inventories	**89**	88	89	93	89	73	69
Current receivables	**1,972**	1,023	842	995	718	776	681
Liquid funds	**370**	130	104	51	59	264	120
TOTAL ASSETS	**13,209**	11,654	11,715	10,381	10,051	10,366	10,329
Equity	**8,019**	7,501	8,159	6,832	6,539	7,435	6,892
Deferred tax	**38**	32	28	24	19	14	8
LONG-TERM LIABILITIES							
Interest-bearing	**1,972**	1,835	1,621	1,616	1,960	1,333	2,423
Non-interest-bearing	**936**	507	393	420	458	491	103
Provisions	**478**	433	392	361	253	240	220
CURRENT LIABILITIES							
Interest-bearing	**82**	82	98	98	98	98	128
Non-interest-bearing	**1,684**	1,264	1,024	1,030	724	755	555
TOTAL EQUITY AND LIABILITIES	**13,209**	11,654	11,715	10,381	10,051	10,366	10,329
KEY BUSINESS RATIOS							
Return on adjusted equity after tax (%)	**8.4**	4.3	19.8	8.9	7.9	10.1	6.2
Return on total capital (%)	**6.8**	3.5	17.0	8.6	7.3	8.9	5.8
Return on capital employed (%)	**9.0**	4.5	21.6	10.7	9.0	10.8	6.7
Equity/assets ratio (%)	**53.1**	57.2	60.9	58.8	58.5	62.8	59.2
Operating margin (%)	**7.6**	5.7	24.3	13.7	10.8	15.5	11.6
Net profit margin after tax (%)	**5.4**	4.0	16.8	8.3	7.1	10.8	7.0
Capital turnover ratio (%)	**84.8**	58.6	69.8	61.9	67.0	56.9	51.4
Debt/equity ratio (%)	**31**	33	28	33	38	22	43
Self-financing level (times)	**1.1**	0.7	1.6	2.1	2.8	4.4	2.6
Interest coverage level (times)	**14.0**	13.3	25.7	6.1	12.4	21.5	7.6
OTHER							
Internally allocated funds (MSEK)	**1,373**	983	1,347	1,373	1,225	1,417	1,089
Net liability (MSEK)	**2,162**	2,220	2,007	2,024	2,252	1,407	2,651
Investments (MSEK)	**1,276**	1,527	963	596	478	338	410
Dividend paid to the Government (MSEK)	**244**	1,172	476	439	1,573	337	309
Average no. of employees	**344**	317	295	289	282	277	269
Energy supplied to the national grid (TWh)	**110.3**	104.4	115.0	120.5	119.8	127.7	123.5
Energy extracted from the national grid (TWh)	**108.0**	101.7	112.1	117.7	117.3	124.5	120.7
Energy losses (TWh)	**2.4**	2.7	2.9	2.8	2.5	3.2	2.7

14. FINANCIAL REPORTS

INCOME STATEMENT – THE GROUP (MSEK)

OPERATING REVENUE	NOTE	2010	2009
Network revenue	1	4,165	3,103
System operator revenue – electricity	2	5,928	3,351
Telecommunications revenue		72	69
System operator revenue – natural gas		49	57
Chargeable activities		7	6
Government grant for power contingency planning	3	267	220
Capitalised work for own account	4	59	45
TOTAL OPERATING REVENUE		**10,547**	6,851
OPERATING EXPENSES			
Personnel expenses	5	-297	-280
Purchase of loss power		-1,269	-807
Purchased balancing power		-5,422	-2,947
Other operating expenses	6	-2,110	-1,847
Depreciation and write-down of intangible and tangible fixed assets	13, 14	-664	-613
TOTAL OPERATING EXPENSES		-9,762	-6,494
Share of income in associated companies	7	20	31
OPERATING INCOME	8	805	388
INCOME FROM FINANCIAL INVESTMENTS			
Profit from other securities and receivables that are fixed assets	9	35	11
Interest income and similar income items	10	3	13
Interest expenses and similar expense items	11	-60	-31
INCOME AFTER FINANCIAL ITEMS		783	381
Tax on income for the year	12	-10	-6
NET INCOME FOR THE YEAR		773	375
Income attributable to:			
The state		769	376
Minority interests		4	-1

COMMENTS ON INCOME STATEMENT

OPERATING REVENUE AND EXPENSES

The Svenska Kraftnät Group's operating revenue increased substantially during 2010 and amounted to SEK 10,547 (6,851) million, an increase of SEK 3,696 million.

The Group's network revenue including capitalised work for own account amounted to 4,224 and rose by SEK 1,076 million compared with last year. The revenue trend in 2010 was affected by the increased national grid tariffs for 2010 and increased transmission on the national grid as a result of the economic recovery in the country during the year. Congestion revenues increased during the year and amounted to SEK 495 million compared with SEK 289 million last year. Energy dependent revenues from transmissions on the national grid also increased during the year and totalled SEK 1.657 (1.128) million due to reorganisation of the tariff and some 6% higher transmission on the grid. The fixed part of the tariff – the capacity charge – was raised on the first of January 2010 which led to increased income of some SEK 380 million. The charges were increased to cover the increased expenses for power losses, energy crediting, counter trading and depreciation. The revenues reported from transiting were lower than the year before and amounted to SEK 12 (130) million. Settlement with the European cooperative organisation, ENTSO-E, is made retroactively and the actual revenues for 2009 were lower than expected. In a normal year Sweden is a transit country with net exports, but the situation changed at the end of 2009, with substantially increased imports which affected revenues. The real revenues for 2010, corrected for the discrepancy in 2009, were SEK 40 (102) million. Of these, SEK 40 million, SEK 5 million were estimated after assessing the net import flows for the period September to December 2010.

System revenues for electricity increased considerably during the year and amounted to SEK 5,928 (3,351) million. Compared with 2009 electricity prices have been higher during 2010, which has produced higher costs for regulating and balance power for both the balance providers and for Svenska Kraftnät. The high electricity prices were largely due to the cold weather during the first and fourth quarter of 2010. The increased revenues and costs during 2010 are therefore primarily due to high electricity prices, but also to discrepancies in the balance providers' forecasts. Discrepancies in the balance providers' forecasts have led to Svenska Kraftnät needing to buy and sell larger volumes of balance power. This led to revenues for sold regulating and balance power during 2010 increasing by SEK 2,179 million. The telecommunications operation's external income amounted to SEK 72 (69) million. System revenue for natural gas was SEK 49 (57)million. The decrease in income is due to lower charges for balance providers.

Contingency planning has utilised SEK 267 (220) million during the year, financed by appropriations.

Chargeable activities include management of renewable electricity certificates and levying security of supply fees for natural gas. These fees produced an income of SEK 7 (6) million. The Government sets the fees and they are regulated through the Electricity Certificates Ordinance (2003:120).

The Group's operating expenses amounted to SEK 9,762 (6,494) million. Staff expenses increased by SEK 17million to SEK 297million as the number of full-time employees increased by 35 during the year.

Since 1 January 2010 Svenska Kraftnät has a new agreement on purchase of power losses, based on the financial electricity prices that are valid for the Swedish bidding area for the relevant period. Costs for 2010 rose by SEK 462 million to SEK 1,269 million. The new agreement exposes Svenska Kraftnät to the so-called bidding area risk in connection with purchase of power losses. However, if the bidding area risk increases, in all likelihood Svenska Kraftnät's congestion revenues will also increase. This means that for 2010 there is a natural hedge in relation to the price area risk. This circumstance applied for the entire year and congestion revenues amounted to almost SEK 350 million more than the expected level.

Expenses for balancing power rose by SEK 2,475 million and amounted to SEK 5,422 million. The higher electricity prices resulted in increased costs for purchased regulating and balance power similarly to the situation with revenues. Expenses for energy compensation, primarily for nuclear power plants, increased by some SEK 240 million, which is explained by, among other things, the fact that the compensation level was raised in 2010. The costs for counter-trade on behalf of the national grid fell by some SEK 120 million compared with 2009.

The high prices for hydroelectric power resulted in the costs for physical balance regulation, or so-called primary regulation, increasing markedly during the period April to December. Expenses for the year amounted to SEK 453 (298) million.

Depreciation of tangible and intangible fixed assets increased by SEK 51 million and amounted to SEK664 million.

OPERATING INCOME

Operating income for the Group improved by SEK 417 to SEK 805 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.

Within Svenska Kraftnät's operations it is mainly the Transmission on the National Grid business segment that affects operating income. Operating income for the year for Transmission on the National Grid amounted to SEK 710 (256) million. The higher income is primarily due to higher congestion revenues and lower costs for counter-trade during the year. Some items concern both the Network and System Operator for Electricity areas of business. Costs that it has not been possible to attribute to a single business area have been allocated on a standard basis between the two areas.

Operating income for the System Operator for Electricity business segment was SEK 41 (60) million. The lower revenue is primarily due to higher costs for primary regulation.

Operating income for telecommunications amounted to SEK 27 (36) million. The deterioration in earnings is due to increased expenses for maintenance caused by the severe cold last winter.

Operating income for System Operator for Natural Gas increased by SEK 1 million to SEK 4 million.

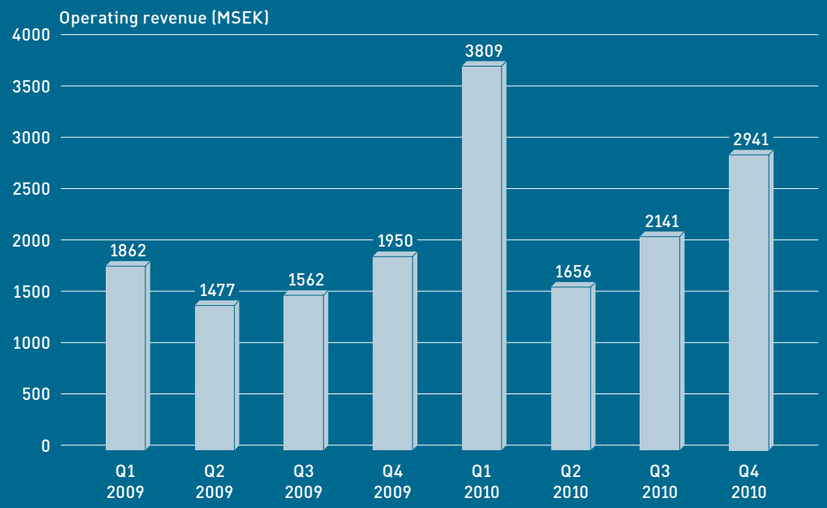
Operating income for the Chargeable Activities business area, which includes renewable electricity certificates and fees for security of supply for natural gas, increased by SEK 1 million to SEK 3 million.

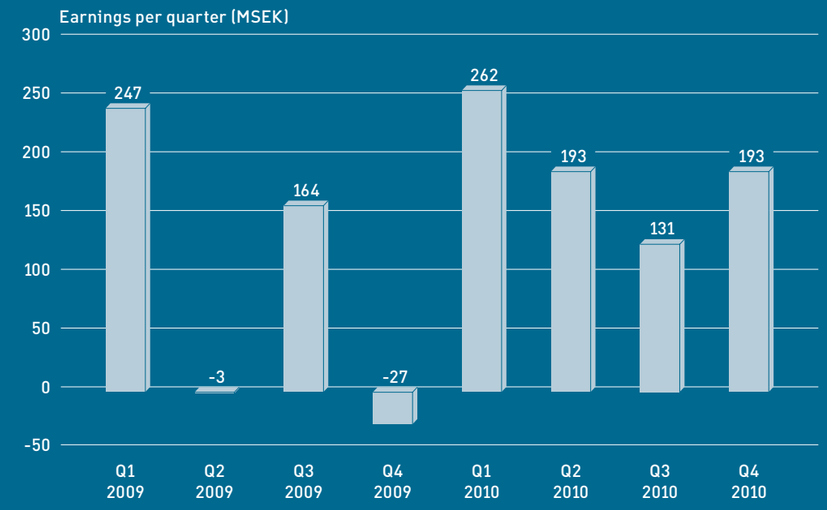
The Group's share of income in associated companies amounted to SEK 20 million compared with SEK 31 million for 2009. The greatest impact on Svenska Kraftnät's profit/loss has been the shareholding in the associated company Nord Pool ASA, and the fact that it was sold to Nasdaq OMX in May 2010 explains the reduced impact on operating results.

The operating margin for the Group amounted to 7.8 (5.7) %, which is 2.1 percentage points higher than last year.

NET FINANCING

The Group's net financial income/expense amounted to SEK -22 (-7) million, which is a deterioration of SEK 15 million compared with 2009. Earnings from other securities and receivables that are fixed assets amounted to SEK 35 (11) million. Included in this item is a capital gain in connection with the disposal of shares worth SEK 34 million in the associated company Nord Pool ASA. The Group's interest income amounted to SEK 3 (13) million, which is SEK 10 million lower than last year. During the second quarter of 2010 Svenska Kraftnät had a positive cash balance which produced increased interest income. The Group's





interest expenses and similar items amounted to SEK -60 (-31) million. The increased expenses are primarily due to an allocation for indexation of the utility's pension liability in accordance with the new security grounds that the National Government Employee Pensions Board has adopted for public utilities of SEK 31 million.

Interest coverage ratio amounted to 14.0 (13.3) times.

NET INCOME FOR THE YEAR

Consolidated net income amounted to SEK 773 (375) million, which is SEK 398 million higher than 2009. The income implies a return on adjusted equity of 8.4 (4.3) %. According to the letter of governance for 2010 the target is to achieve an average return on adjusted equity of 6%.

The net profit margin with a deduction for standard tax was 5.4 (4.0)%.

BALANCE SHEET – THE GROUP

ASSETS (MSEK)	NOTE	2010-12-31	2009-12-31
FIXED ASSETS			
Intangible fixed assets	13	**282**	284
Tangible fixed assets	14	**10,400**	9,782
Shares and participations in associated companies	16	**84**	276
Long-term receivables		**0**	62
Income taxes recoverable		**12**	9
TOTAL FIXED ASSETS		**10,778**	10,413
CURRENT ASSETS			
Inventories		**89**	88
Current receivables	17	**821**	445
Prepaid expenses and accrued income	19	**1,151**	578
Liquid funds		**370**	130
TOTAL CURRENT ASSETS		**2,431**	1,241
TOTAL ASSETS		**13,209**	11,654
EQUITY AND LIABILITIES			
EQUITY REFERABLE TO OWNERS			
Government capital		**600**	600
Other paid-up capital		**3,314**	3,314
Profit brought forward		**4,057**	3,543
THE GOVERNMENT'S CAPITAL		**7,971**	7,457
MINORITY INTERESTS		**48**	44
TOTAL EQUITY		**8,019**	7,501
LONG-TERM LIABILITIES			
Interest-bearing liabilities	20	**1,972**	1,835
Non-interest-bearing liabilities	21	**936**	507
Deferred tax		**38**	32
Provisions for pensions	22	**478**	425
Other provisions		**0**	8
TOTAL LONG-TERM LIABILITIES		**3,424**	2,807
CURRENT LIABILITIES			
Interest-bearing liabilities	23	**82**	82
Accounts payable		**499**	457
Other liabilities		**107**	79
Accrued expenses and prepaid income	24	**1,078**	728
TOTAL CURRENT LIABILITIES		**1,766**	1,346
TOTAL EQUITY AND LIABILITIES		**13,209**	11,654
PLEDGED SECURITIES		**NONE**	None
CONTINGENT LIABILITIES	25, 26	**0**	4

COMMENTS ON THE BALANCE SHEET

BALANCE SHEET TOTAL
The consolidated balance sheet total amounted to SEK 13,209 (11,654) million, which is an increase of SEK 1,555 million.

FIXED ASSETS
Svenska Kraftnät's intangible fixed assets consist of land rights, rights of use for fibre optic cables, licences and capitalised expenditure for computer programs. The book value of these is SEK 282 (284) million. Investments in computer programs amounted to SEK 55 (46) million, including a new settlement system . Depreciation on intangible fixed assets amounted to SEK 38 million.

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 10,400 (9,782) million, which is an increase of SEK 618 million. Net investments during the year amounted to SEK 612 million more 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 84 (276) million. During the year, the parent entity received a dividend of SEK 174 (1,358) million from Nord Pool ASA, which reduced the Group's participations in associated companies. Svenska Kraftnät sold its shares in Nord Pool ASA in May 2010.

CURRENT ASSETS
Current assets amounted to SEK 2,431 (1,241) million. The increase mainly relates to a higher level of accounts receivable and accrued income. Accounts receivable were at a high level on 31 December 2010 as a result of SEK 320 million in invoicing to a number of land owners for cofinancing of the Stockholms Ström project. Liquid funds amounted to SEK 370 (130) million at year end, in other words, an increase of SEK 240 million.

EQUITY
Equity in the Group at year end was SEK 8,019 (7,501) million, of which SEK 4,057 (3,543) million consisted of of retained earnings. During the course of the year, SEK 244 (1,172) million has been distributed to the owners. Net Group profit for the year amounted to SEK 773 (375) 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 1,252 (1,033) million and SwePol Link's bank loans of SEK 720 (802) million. The interest-bearing borrowing requirements in the Group thereby increased by 137 million during the year. The average interest on the loans for the Group during 2010 was 0.8 (1.7) %.

Non-interest-bearing liabilities that consist of contributions from land owners, investment grants from stakeholders, advances from customers within the fibre optic operation and other customers amount to SEK 936 (507) million.

The level of the net loan debt decreased by SEK 58 million and amounted to SEK 2,162 (2,212) million. This had an impact on the debt/equity ratio, which increased during the year to 31 (33) %. The target for 2010 is that Svenska Kraftnät will achieve a debt/equity ratio of a maximum of 60%.

CASH FLOW STATEMENT – THE GROUP (MSEK)

THE YEAR'S OPERATIONS	2010	2009
Operating income	805	388
Adjustment for items not included in cash flow		
Depreciation	664	613
Other items	-84	12
Interest paid	-15	-30
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	**1,370**	983
CHANGES IN WORKING CAPITAL		
Change in inventories	-1	1
Change in current receivables	-629	-181
Change in current liabilities	420	240
CASH FLOW FROM THE YEAR'S OPERATIONS	**1,160**	1,043
INVESTMENT ACTIVITIES		
Investments in tangible and intangible fixed assets	-1,276	-1,527
Change in long-term receivables	62	0
Sale of fixed assets	63	0
CASH FLOW FROM INVESTMENT ACTIVITIES	**-1,151**	-1,527
FINANCING ACTIVITIES		
Dividend received	174	1,358
Change in interest-bearing liabilities	137	198
Change in other long-term liabilities	164	126
Dividend paid	-244	-1,172
CASH FLOW FROM FINANCING ACTIVITIES	**231**	510
CASH FLOW FOR THE YEAR	**240**	26
Liquid assets at the beginning of the year	130	104
Liquid assets at year-end	370	130

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 improved by SEK 387 million compared with the previous year and amounted to SEK 1,370 million. Cash flow from the year's operations amounted to SEK 1,160 (1,043) million. The improvement is primarily a result of the higher level of operating income.

INVESTMENT ACTIVITIES

Investments made by the Group decreased during the year and amounted to SEK 1,276 (1,527) million. The investments amounted to SEK 1,255 (1,502) million in the parent entity, SEK 1 (1) million in the sub-group SwePol Link and SEK 20 (24) million in Svenska Kraftnät Gasturbiner AB. On 31 May 2010 ownership in the associated company Nord Pool ASA was sold for SEK 61 million and a loan of SEK 60 million was also redeemed in connection with it.

FINANCING ACTIVITIES

The Group's interest-bearing liabilities increased during the year by SEK137 compared with SEK 198 million in 2009. Interest-bearing liabilities in the parent entity increased by SEK 219 (460) million and external interest-bearing liabilities in the sub-group SwePol Link decreased by SEK 82 (262) million. Svenska Kraftnät Gasturbiner AB's in-Group interest-bearing liability was SEK 144 (157) million. Other long-term liabilities increased by SEK 164 million as an element in the co-financing of the Stockholms Ström project from a number of municipalities. SEK 244 (1,172) million has been paid to the Government.

Cash flow for the year amounted to SEK 240 million compared with SEK 26 million in 2009.

CHANGE IN EQUITY – GROUP (MSEK)

	REFERABLE TO THE GOVERNMENT					
	Government capital	Other paid-up capital	Profit brought forward incl. net income for the year	Total	Referable to minority interests	Total equity
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**
OPENING BALANCE 2010	**600**	**3,314**	**3,543**	**7,457**	**44**	**7,501**
Translation difference			-11	-11		-11
Dividend	—	—	-244	-244	—	-244
Net income for the year	—	—	,	769	4	773
CLOSING BALANCE 2010	**600**	**3,314**	**3,288**	**7,971**	**48**	**8,019**

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 and 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 2009 of SEK 244 million was adopted by the Government.

» » NET INCOME FOR THE YEAR AMOUNTED TO SEK 773 MILLION « «

INCOME STATEMENT – PARENT ENTITY (MSEK)

OPERATING REVENUE	NOTE	2010	2009
Network revenue	1	3,955	2,928
System operator revenue - electricity	2	5,931	3,351
Telecommunications revenue		72	69
System operator revenue - natural gas		49	57
Chargeable activities		7	6
Government grant for power contingency planning	3	267	220
Capitalised work for own account	4	59	45
TOTAL OPERATING REVENUE		**10,340**	6,676
OPERATING EXPENSES			
Personnel expenses	5	-296	-279
Purchase of loss power		-1,269	-807
Purchased balancing power		-5,438	-2,955
Other operating expenses	6	-2,089	-1,854
Depreciation and write-down of intangible and tangible fixed assets	13, 14	-513	-465
TOTAL OPERATING EXPENSES		**-9,605**	-6,360
OPERATING INCOME		**735**	316
INCOME FROM FINANCIAL INVESTMENTS			
Income from other securities and receivables that are fixed assets	9	66	1,372
Interest income and similar income items	10	2	12
Interest expenses and similar expense items	11	-49	-15
INCOME AFTER FINANCIAL ITEMS		**754**	1,685

THE PARENT ENTITY, THE SVENSKA KRAFTNÄT PUBLIC UTILITY

Operating revenue for 2010 amounted to SEK 10,340 (6,676) million, of which SEK 50 (46) million pertained to sales to group companies. Income after financial items amounted to SEK 754 (1,685) million. Last year income was affected by a dividend from the associated company Nord Pool ASA of SEK 1,358 million. During spring 2010 a dividend of SEK 174 million was received from Nord Pool ASA, which was subsequently sold to Nasdaq OMX in May.

The public utility's investments in tangible and intangible fixed assets during the year amounted to SEK 1,255 (1,502) million. Liquid assets at the end of the period amounted to SEK 313 (76) million.

The parent entity finances its operations with equity and loans in the National Debt Office. On 31 December 2010 borrowings amounted to SEK 1,252 (1,033) million and equity to SEK 7,784 (7,274) million.

BALANCE SHEET – PARENT ENTITY (MSEK)

ASSETS

FIXED ASSETS	NOTE	2010-12-31	2009-12-31
INTANGIBLE FIXED ASSETS	13		
Capitalised expenditure for computer programmes		**138**	71
Land rights		**54**	58
Rights of use		**38**	39
Construction work in progress		**52**	116
TOTAL INTANGIBLE FIXED ASSETS		**282**	284
TANGIBLE FIXED ASSETS	14		
Buildings and land		**196**	201
Machinery and equipment		**6,221**	5,643
Construction work in progress		**2,516**	2,341
TOTAL TANGIBLE FIXED ASSETS		**8,933**	8,185
FINANCIAL FIXED ASSETS			
Shares and participations in Group companies	15	**12**	12
Receivables from Group companies		**133**	145
Shares and participations in associated companies	16	**47**	219
Receivables from associated companies		**0**	62
TOTAL FINANCIAL FIXED ASSETS		**192**	438
TOTAL FIXED ASSETS		**9,407**	8,907
CURRENT ASSETS			
INVENTORIES		**5**	4
CURRENT RECEIVABLES			
Accounts receivable		**678**	340
Receivables from Group companies		**21**	41
Receivables from associated companies		**0**	3
Other receivables		**49**	47
Receivables from the public utility's cheque account	18	**61**	34
Prepaid expenses and accrued income	19	**1,150**	575
TOTAL CURRENT RECEIVABLES		**1,959**	1,040
CASH AND BANK BALANCES		**313**	76
TOTAL CURRENT ASSETS		**2,277**	1,120
TOTAL ASSETS		**11,684**	10,027

BALANCE SHEET – PARENT ENTITY (MSEK)

EQUITY AND LIABILITIES

EQUITY	NOTE	2010-12-31	2009-12-31
RESTRICTED EQUITY			
Government capital		**600**	600
Restricted reserves		**3,314**	3,314
TOTAL RESTRICTED EQUITY		**3,914**	3,914
Profit brought forward		**3,116**	1,675
Net income for the year		**754**	1,685
TOTAL UNRESTRICTED EQUITY		**3,870**	3,360
TOTAL EQUITY		**7,784**	7,274
PROVISIONS			
INTEREST-BEARING PROVISIONS			
Provisions for pensions	22	**478**	424
NON INTEREST-BEARING PROVISIONS		**0**	8
LIABILITIES			
INTEREST-BEARING LONG-TERM LIABILITIES	20	**1,252**	1,033
NON-INTEREST-BEARING LONG-TERM LIABILITIES		**561**	89
NON-INTEREST-BEARING CURRENT LIABILITIES			
Accounts payable		**493**	449
Other liabilities		**46**	23
Accrued expenses and prepaid income	24	**1,070**	727
TOTAL NON-INTEREST-BEARING CURRENT LIABILITIES		**1,609**	1,199
TOTAL EQUITY AND LIABILITIES		**11,684**	10,027
PLEDGED SECURITIES		**NONE**	None
CONTINGENT LIABILITIES	25, 26	**0**	4

CASH FLOW STATEMENT – PARENT ENTITY (MSEK)

THE YEAR'S OPERATIONS	2010	2009
Operating income	735	316
Adjustment for items not included in cash flow		
Depreciation	513	465
Other items	-9	49
Interest paid	-6	-15
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	1,233	815
CHANGES IN WORKING CAPITAL		
Change in inventories	-1	0
Change in current receivables	-599	-186
Change in current liabilities	410	220
CASH FLOW FROM THE YEAR'S OPERATIONS	1 043	849
INVESTMENT ACTIVITIES		
Investments in tangible and intangible fixed assets	-1,255	-1,502
Change in long-term receivables	74	0
Sale of fixed assets	63	0
CASH FLOW FROM INVESTMENT ACTIVITIES	-1,118	-1,502
FINANCING ACTIVITIES		
Dividend received	174	1,358
Change in interest-bearing liabilities	219	460
Change in other long-term liabilities	163	5
Advance payments from customers	0	1
Dividend paid	-244	-1,172
CASH FLOW FROM FINANCING ACTIVITIES	312	652
CASH FLOW FOR THE YEAR	237	-1
Liquid assets at the beginning of the year	76	77
Liquid assets at year-end	313	76

CHANGE IN EQUITY – PARENT ENTITY (MSEK)

	GOVERNMENT CAPITAL	OTHER PAID-UP CAPITAL	PROFIT BROUGHT FORWARD INCL. NET INCOME FOR THE YEAR	TOTAL
OPENING BALANCE 2009	600	3,314	2,847	6,761
Dividend	—	—	-1,172	-1,172
Net income for the year	—	—	1,685	1685
CLOSING BALANCE 2009	600	3,314	3,360	7,274
OPENING BALANCE 2010	600	3,314	3360	7,274
Dividend	—	—	-244	-244
Net income for the year	—	—	754	754
CLOSING BALANCE 2010	600	3,314	3,870	7,784

15. ADDITIONAL INFORMATION AND NOTES

ACCOUNTING AND VALUATION PRINCIPLES

BASIS FOR PREPARING THE REPORTS

Svenska Kraftnät's accounts comply with the 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 Bookkeeping 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 Annual Reports and Budget Documentation Ordinance (2000:605) 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 the 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 (RR 1:00) and statements from the Swedish Financial Reporting Board. This is in order to provide a more true and fair picture of the Group's financial status and better comparability with other listed Swedish groups.

PRECONDITIONS FOR THE PREPARATION 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 company, the Svenska Kraftnät public utility, along with three subsidiaries and five 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.

In turn, one of the subsidiaries, SwePol Link AB, has 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 Kraft-

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

UNTAXED RESERVES/APPROPRIATIONS
When preparing the consolidated accounts, untaxed reserves and appropriations reported in the individual companies have been divided up 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 profit/loss.

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 charges for subscriptions that are reported as income linearly throughout the period that the charge is meant to cover, while the energy-dependent fee is reported as revenue in connection with the use of Svenska Kraftnät's services.

Transit compensation, which is regulated financially among the European national grid companies through the ENTSO-E model, influences the financial outcome. Svenska Kraftnät receives income if there is a high flow of electricity through Sweden, whilst flows generally occur through Denmark and neighbouring countries at the same time, incurring costs for Svenska Kraftnät.

System operator revenue for 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 for acting as system operator gross per hour instead of as previously per fourteen day period. If the customer has been an overall purchaser of power during the period, this is shown as balancing power income for Svenska Kraftnät whereas if the customer has instead been an overall seller, it is reported as a balancing power cost.

System operator revenue for natural gas
Revenue consists of sold natural gas for the power balancing service. System operator for 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. Customers can pay in advance to a certain extent. The advance payment is then deducted against income as the service is implemented.

SEGMENT ACCOUNTING OR AREAS OF BUSINESS
The Svenska Kraftnät Group's primary segments are areas that have have been defined by the Government. The Group's operations are divided into six areas. 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 that our assignment entails.

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 capitalised 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 unless specified otherwise. 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 profit/loss.

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 and deposits.

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 gross acquisition value with a deduction made for accumulated depreciation and write-downs. Investments are regarded as being constituted by 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 enhance its performance or significantly extend its lifetime.

Interest expenses during the construction period are capitalised 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 programmes are carried forward and written off linearly over the duration of use. All intangible fixed assets have a limited period of use. Land rights are written off according to the assessed period of use, which for a cable concession is usually 40 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 public utility's newly acquired 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.

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
Fibre optic 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

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.

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 pension agreement, PA-03, applies for state employees born in 1943 or later. For former employees born before 1943, PA-91 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, named 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.

Some 5% 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. When determining it, either the 2010 or 2011 rate could be used in calculating the 2010 pension liability. The difference between them is, briefly, that the 2011 basis for calculation is based on a lower yield assumption (1.4 instead of 1.8 %), which in turn leads to a higher pension liability. Svenska Kraftnät reports the liability according to the 2011 basis. The part of the change in pension provision that is a result of the change to the 2011 calculation basis is reported as an interest expense.

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.

INVESTMENT CONTRIBUTION
External contributions to investments do not reduce the acquisition value of the investment, but are reported at the amount received as a liability in the balance sheet. The investment contribution is deducted as miscellaneous income in the income statement concurrently with the fixed asset being written off.

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 adaptation of the network and system operations. No expenses are therefore capitalised for development.

CASH FLOW STATEMENT
The cash flow statement is drawn up in accordance with the indirect method. The cash flow reported 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
Shares 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	**2010**	2009	**2010**	2009
Capacity charge	**1,671**	1,288	**1,715**	1,331
Energy fee	**1,657**	1,128	**1,657**	1,128
Congestion revenue	**495**	289	**495**	289
Transit revenue	**12**	130	**12**	130
SwePol Link	**245**	214	**-**	-
Other revenue	**85**	54	**76**	50
TOTAL	**4,165**	3,103	**3,955**	2,928

NOTE 2. SYSTEM REVENUES

	GROUP		PARENT ENTITY	
MSEK	**2010**	2009	**2010**	2009
Sold balancing power	**4,498**	2,638	**4,501**	2,638
Sold final power	**462**	127	**462**	127
Sold supportive power	**191**	124	**191**	124
Sold regulation power	**691**	372	**691**	372
TOTAL REGULATION POWER	**5,842**	3,261	**5,845**	3,261
Power reserve	**79**	83	**79**	83
EDIEL revenues	**7**	7	**7**	7
TOTAL	**5,928**	3,351	**5,931**	3,351

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 ELECTRICITY CONTINGENCY PLANNING

GRANTS ACCOUNTS FOR THE PARENT ENTITY

	Opening transmission amount	Allocation for the year as per letter of governance	Total amount available	Expenses	Closing amount
EXPENSE AREA 06 – DEFENCE AND CIVIL EMERGENCY PLANNING 2:04 Emergency preparedness					
Appropriation item 3, Electricity emergency measures	31,995		31,995	-31,995	0
EXPENSE AREA 21 – ENERGY 2:04 Electricity contingency planning					
Appropriation item 1, Electricity contingency planning	0	250,000	250,000	-235,224	14,776
TOTAL	**31,995**	**250,000**	**281,995**	**-267,219**	**14,776**

CONDITIONS FOR THE GRANT ACCORDING TO THE LETTER OF GOVERNANCE (MSEK)	MAXIMUM AMOUNT	OUTCOME
Administrative expenses in the operation	24	15

The grants utilized during the course of the year amounting to SEK 267 (220) have been used for activities including compensation to the emergency reserve, supplementing emergency pylons, expanding battery capacity in national grid stations that are significant in restoring the electricity system after a power failure, operation and maintenance of emergency stores, introduction of the communication system Rakel and security-enhancing measures in important electrical facilities.

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 FOR OUTSTANDING UNDERTAKINGS, (TSEK)	CONSTITUENT UNDERTAKINGS	OUTSTANDING UNDERTAKINGS	FORECAST 2011	2012	2013
406,000	228,920	378,784	129,340	71,486	177,958

NOTE 4. CAPITALISED WORK FOR OWN ACCOUNT

GROUP AND PARENT ENTITY (MSEK)	2010	2009
Construction work in progress	51	38
Capitalised development of computer programs	8	7
TOTAL	**59**	45

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

Investment projects refer to both construction work in progress and capitalised IT development projects.

NOTE 5. STAFF EXPENSES

EMPLOYEES	GROUP		PARENT ENTITY	
Quantity	2010	2009	2010	2009
Women	113	95	112	94
Men	247	230	246	229
TOTAL	**360**	325	**358**	323

The average number of employees in the group during 2010 was 344 (317), of whom 342 (315) were in the parent entity and 2 (2) in Poland in the Swe-Pol 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 297 (280) million, of which the payroll costs were SEK 184 (166) million. Added to this are pension expenses of SEK 30 (35) million and also social security expenses of SEK 64 (62) million.

The public utility's 's staff expenses amounted to SEK 296 (279) million, of which the payroll costs were SEK 183 (165) million. Added to this are pension expenses of SEK 30 (35) million and also social security expenses of SEK 64 (62) million.

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 1.1 million and pension expenses amounted to SEK 0.8 million.

Three board members departed on 31 March 2010 and three new members took up positions in July. The distribution between men and women on the Board of Directors is unchanged (excluding staff representatives) and is set out in the table.

THE BOARD, NUMBER	2010	2009
Women	3	3
Men	5	5
TOTAL	**8**	8

Remuneration to Directors and their positions on other boards are set out in the table below.

BOARD OF DIRECTORS	POSITIONS IN GOVERNMENTAL AUTHORITIES, BOARDS/COUNCILS OR LIMITED COMPANIES	FEE
Bo Källstrand, Chairman County Governor in Västernorrland County	Seventh AP Fund	78,996
Anna-Stina Nordmark-Nilsson, Deputy Chairperson Former MD, Swedish Federation of Business Owners	Sveaskog AB Diös fastigheter AB	52,992
Mikael Odenberg, Director General	National Agency for Government Employers Government's Emergency Management Committee	
Christer Samuelsson MD and partner, Sensa Corporate Advisors AB		52,992
Karin Stierna Chair of Municipal Executive Board, Strömsund Municipality	Strömsunds utvecklingsbolag AB	52,992
Björn Carlsson CEO Ackkärrs Bruk. Consultant	Åmotfors Energi AB	26,496
Minoo Akhtarzand County Governor in Jönköping County	Swedish Export Credits Guarantee Board The Swedish Broadcasting Corporation AB	26,496
Bo Normark MD Power Circle AB	Board for Energy Development at the Swedish Energy Agency	26,496
Sara Jonsson, Staff representative SACO		
Sture Törnstam, Staff representative ST		
DEPARTED BOARD MEMBERS		
Tomas Bruce		13,248
Ann-Sofie Danielsson		13,248
Bo Diczfalusy		13,248
TOTAL		**357,204**

According to the authority's instruction, there must be a council at Svenska Kraftnät that has insight into the contingency planning operation for electricity and a council to assist 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.

Remuneration paid to the Dam Safety Council in 2010 in Swedish kronor amounted to:

DAM SAFETY COUNCIL	
Henrik Löv	36,000

Remuneration paid for representation on the Telecommunications Interference Board during 2010 in Swedish kronor:

TELECOMMUNICATIONS INTERFERENCE BOARD	
Alf Andersson	32,000

Remuneration paid to the members of the Contingency Planning Council in 2010 in Swedish kronor amounted to:

CONTINGENCY PLANNING COUNCIL	
Caroline Carlsson	2,925
Eva Ekenberg	1,950
Lena Hovmark	1,950
Lars Joelsson	2,925
Daniel Jonsson	1950
Ove Landberg	975
Andres Muld	1950
Cecilia Nyström	2,925
Anders Richert	1950
Birgitta Rydén	975
TOTAL	**20,475**

NOTE 6. OTHER OPERATING EXPENSES

	GROUP		PARENT ENTITY	
MSEK	**2010**	2009	**2010**	2009
Energy compersation	**443**	201	**443**	201
Operation & maintenance	**309**	353	**257**	315
Plant fees	**45**	45	**45**	45
Transit expenses	**94**	99	**94**	99
Countertrade for national grid	**186**	304	**186**	304
Primary Regulation	**453**	298	**453**	298
Disturbance reserve	**63**	63	**103**	103
Power reserve	**76**	72	**79**	77
Research and development	**21**	20	**21**	20
Contingency planning expenses	**233**	190	**252**	200
Other expenses	**187**	202	**156**	192
TOTAL	**2,110**	1,847	**2,089**	1,854

The item Other Expenses includes payments to accountants in the following amounts:

	GROUP		PARENT ENTITY	
MSEK	**2010**	2009	**2010**	2009
Swedish National Audit Office	**0.9**	0.8	**0.9**	0.8
Other auditors	**0.4**	0.4	**-**	-
AUDITING EXPENSES	**1.3**	1.2	**0.9**	0.8
Consultation, Ernst & Young	**0.2**	0.1	**-**	-
TOTAL	**1.5**	1.3	**0.9**	0.8

NOTE 7. SHARE OF INCOME IN ASSOCIATED COMPANIES

GROUP (MSEK)	**2010**	2009
Nord Pool ASA	**9**	25
Nord Pool Spot AS	**5**	4
STRI	**2**	1
Kraftdragarna AB	**4**	1
TOTAL	**20**	31

» THE GROUP'S REVENUES INCREASED BY SOME 50% «

NOTE 8. OPERATING INCOME PER BUSINESS SEGMENTS

	OPERATING REVENUE		OPERATING INCOME	
GROUP (MSEK)	**2010**	2009	**2010**	2009
Transmission on the national grid	**4,224**	3,148	**710**	256
System operator – electricity	**5,928**	3,351	**41**	60
Telecommunications – external	**72**	69	**22**	25
Telecommunications – internal	**54**	54	**5**	11
System operator – natural gas	**49**	57	**4**	3
Chargeable activities	**7**	6	**3**	2
Associated companies	**-**	-	**20**	31
Contingency	**267**	220	**0**	0
Segment elimination	**-54**	-54	**-**	-
TOTAL	**10,547**	6,851	**805**	388

The predominant business segments within the Group are Transmission on the National Grid and System Operator for Electricity. Included in the operating income are the external revenue and expenses for the areas of business. Activated own work is included in Transmission on the National Grid, see note 4.

Some items concern both the business segment Transmission on the National Grid and System Operator for Electricity. When it has not been possible to link these activities to a business area, the costs have been distributed on a standard basis. The Telecommunications business segment 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 Network. Capitalised own work is included in the revenues for the Transmission on the National Grid area of business at an amount of SEK 59 (45) million.

Within the business segment System Operator for Electricity, the balance providers have agreements with the parent entity on frequency maintenance and settlement of their imbalances. Profit trends are shown below for the years 2010 and 2009 in the parent entity.

PARENT ENTITY (MSEK)	**2010**	2009
OPERATING REVENUE		
Balancing power revenue	**5,759**	3,203
Capacity reserve	**79**	83
Ediel	**7**	7
Other balancing service revenues	**86**	58
TOTAL OPERATING REVENUE	**5,931**	3,351
OPERATING EXPENSES		
Personnel expenses	**-15**	-11
Balancing power expenses	**-5,438**	-2,955
System operation, primary regulation	**-272**	-179
Disturbance reserve	**-51**	-51
Capacity reserve	**-79**	-77
Other expenses	**-19**	-12
Depreciation	**-8**	-2
TOTAL OPERATING EXPENSES	**-5,882**	-3,287
OPERATING INCOME	**49**	64

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

MSEK	**2010**	2009
Transmission on the national grid	**1,239**	1,409
System operator – electricity	**19**	32
Telecommunications	**12**	86
Chargeable activities	**6**	-
TOTAL	**1,276**	1,527

Return on capital employed for the group is 9.0 (4.5) %. The overriding proportion of the capital employed belongs to the Transmission on the National Grid business area.

NOTE 9. PROFIT FROM OTHER SECURITIES AND RECEIVABLES THAT ARE FIXED ASSETS

	GROUP		PARENT ENTITY	
MSEK	**2010**	2009	**2010**	2009
Dividend on shares and participations in associated companies	**-**	-	**174**	1,358
Income in conjunction with sales of shares and participations in associated companies	**34**	-	**-111**	-
Interest income on long-term receivables in subsidiaries	**-**	-	**2**	3
Interest income on long-term receivables in associated companies	**1**	4	**1**	4
Other interest income	**-**	-	**-**	-
Exchange rate differences	**0**	7	**0**	7
TOTAL	**35**	11	**66**	1,372

NOTE 10. INTEREST INCOME AND SIMILAR INCOME ITEMS

	GROUP		PARENT ENTITY	
MSEK	**2010**	2009	**2010**	2009
Interest income from bank balances	**2**	1	**1**	1
Other interest income	**1**	12	**1**	11
TOTAL	**3**	13	**2**	12

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	**2010**	2009	**2010**	2009
Interest expenses, Pension liability	**38**	6	**38**	6
Interest expenses, long-term credit	**9**	16	**-**	-
Interest expenses, National Debt Office loan	**5**	4	**5**	4
Interest expenses, current liabilities	**1**	11	**1**	11
Capitalised interest for new construction	**-6**	-6	**-6**	-6
Exchange rate differences	**13**	0	**11**	-
Other financial expenses	**0**	0	**-**	-
TOTAL	**60**	31	**49**	15

NOT 12. TAX ON INCOME FOR THE YEAR

GROUP (MSEK)	**2010**	2009
Current tax	**-6**	-5
Deferred tax	**-4**	-1
TOTAL	**-10**	-6

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.

NOTE 13. INTANGIBLE FIXED ASSETS

GROUP AND PARENT ENTITY (MSEK)	**Capitalised expenditure for computer programmes**	**Land rights**	**Rights of use for fibre optic cables**	**Construction work in progress**	**Total**
Opening acquisition value	145	170	72	116	503
Acquisitions				55	55
Sales/disposal	-4	-	-	-	-4
Reclassifications	103	0	7	-119	-9
CLOSING ACCUMULATED ACQUISITION VALUE	244	170	79	52	545
Depreciation brought forward	75	112	32	0	219
Sales/disposal	-3	-	-	-	-3
Reclassifications	6	1	2	-	9
Depreciation for the year	28	3	7	0	38
ACCUMULATED DEPRECIATION CARRIED FORWARD	106	116	41	0	263
PLANNED RESIDUAL VALUE CARRIED FORWARD	**138**	**54**	**38**	**52**	**282**

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	963	16,874	2,360	20,197
Acquisitions	0	3	1,218	1,221
Sales/disposal	-4	-171	-1	-176
Depreciation in connection with disposal	0	-5	0	-5
Reclassifications	7	1,038	-1,035	10
CLOSING ACCUMULATED ACQUISITION VALUE CARRIED FORWARD	966	17,739	2,542	21,247
Depreciation brought forward	500	9,915	0	10,415
Sales/disposal	-3	-186	0	-189
Depreciation for the year	37	584	0	621
ACCUMULATED DEPRECIATION CARRIED FORWARD	534	10,313	0	10,847
PLANNED RESIDUAL VALUE CARRIED FORWARD	**432**	**7,426**	**2,542**	**10,400**
Depreciation last fiscal year	37	532	-	569

PARENT ENTITY (MSEK)	**Buildings and land**	**Machinery and other technical facilities**	**Construction work inprogress**	**Total**
Opening acquisition value	486	14,447	2,340	17,273
Acquisitions		2	1,198	1,200
Sales/disposal	-4	-170		-174
Depreciation in connection with disposal		-5		-5
Reclassifications	7	1,025	-1,022	10
CLOSING ACCUMULATED ACQUISITION VALUE CARRIED FORWARD	489	15,299	2,516	18,304
Depreciation brought forward	285	8,803	0	9,088
Sales/disposal	-5	-182	0	-187
Depreciation for the year	13	457	0	470
ACCUMULATED DEPRECIATION CARRIED FORWARD	293	9,078	0	9,371
PLANNED RESIDUAL VALUE CARRIED FORWARD	**196**	**6,221**	**2,516**	**8,933**
Depreciation last fiscal year	13	408	-	**421**

The item Machinery and other technical facilities includes switchyard equipment, power cables, submarine cables, control equipment, fibre optic installations 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 233 (183) million. The increase is due to acquisition of properties within the South West Link project.

»OUR AMBITION IS TO BE ONE OF THE MOST ATTRACTIVE EMPLOYERS«

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	GROUP	BOOK VALUE PARENT ENTITY
Nord Pool ASA	NO 965662952	Lysaker	50	100,000	-	-
Nord Pool Spot AS	NO 984058098	Lysaker	30	4,320	58	42
Stri AB	556314-8211	Ludvika	25	375	13	4
Kraftdragarna AB	556518-0915	Västerås	50	5,000	12	1
Elforsk AB	556455-5984	Stockholm	25	750	1	0
Triangelbolaget D4 AB	556007-9799	Stockholm	25	525	0	0
TOTAL					**84**	**47**

The shareholding in Nord Pool ASA was sold during the year. The acquisition value is the same as the book value in the parent entity.

NOTE 17. CURRENT RECEIVABLES – THE GROUP

MSEK	2010	2009
Accounts receivable	**707**	356
Receivables from associated companies	**0**	3
Other receivables	**53**	52
Receivable from the public utility's overdraft facility	**61**	34
TOTAL	**821**	445

NOTE 18 RECEIVABLE FROM THE PUBLIC UTILITY'S CHEQUE ACCOUNT

GROUP AND PARENT ENTITY (MSEK)	2010	2009
Opening balance (receivable +, liability -)	**33,811**	34,014
Settled against Government budget:		
Appropriation	**267,219**	219,799
Settled against public utility's overdraft facility:		
Appropriation funds withdrawn	**-240,002**	-220,002
BALANCE CARRIED FORWARD	**61,028**	33,811

The receivable carried forward of SEK 61 (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	2010	2009	2010	2009
Prepaid expenses, other	**25**	17	**24**	16
Accrued income, network	**252**	194	**252**	194
Prepaid expenses, system operator	**831**	360	**831**	360
Prepaid expenses, Renewable electricity certificates	**1**	1	**1**	1
Prepaid expenses, Natural gas	**6**	4	**6**	4
Prepaid expenses, other	**36**	2	**36**	0
TOTAL	**1 151**	578	**1 150**	575

NOTE 20. LONG-TERM INTEREST-BEARING LIABILITIES

	GROUP		PARENT ENTITY	
MSEK	2010	2009	2010	2009
The National Debt Office	**1,252**	1,033	**1,252**	1,033
Credit institutions	**720**	802	**-**	-
TOTAL	**1,972**	1,835	**1,252**	1 033

The liability to the National Debt Office is for the current loan parameter.
Of the other external loans, a total of SEK 391 (473) 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. LONG-TERM NON-INTEREST-BEARING LIABILITIES

	GROUP		PARENT ENTITY	
MSEK	2010	2009	2010	2009
Contributions from land owners	**415**	-	**415**	-
Investment grants	**74**	5	**74**	5
Advance payments from fibre optic customers	**71**	84	**71**	84
Advances for IT licences	**1**	-	**1**	-
Advance payments from other customers	**375**	418	**-**	-
TOTAL	**936**	507	**561**	89

NOTE 22. PROVISIONS FOR PENSIONS

GROUP AND PARENT ENTITY (MSEK)	2010	2009
OPENING BALANCE	**425**	392
Pensions paid	**-9**	-6
Annual indexation of pension liability	**24**	37
Ditto provisions for payroll tax	**7**	9
Adjustment of liability and payroll tax due to change of calculation method	**31**	-7
BALANCE CARRIED FORWARD	**478**	425

NOTE 23. CURRENT INTEREST-BEARING LIABILITIES

	GROUP		PARENT ENTITY	
MSEK	2010	2009	2010	2009
Short-term part of long-term loans from credit institutions	**82**	82	**-**	-
TOTAL	**82**	82	**-**	-

NOTE 24 ACCRUED EXPENSES/PREPAID INCOME

	GROUP		PARENT ENTITY	
MSEK	**2010**	2009	**2010**	2009
Accrued expense, balancing power	**672**	450	**672**	449
Accrued expense, primary regulation	**17**	8	**17**	8
Accrued expenses, power reserve	**26**	17	**26**	17
Accrued expense, energy compensation	**42**	16	**42**	16
Accrued expense, transmission losses	**144**	91	**144**	91
Accrued expense, disturbance reserve	**5**	5	**5**	5
Transit compensation	**37**	39	**37**	39
Accrued staff expenses	**41**	22	**41**	22
Accrued leases on fixed assets	**12**	12	**12**	12
Accrued maintenance expenses	**16**	30	**13**	30
Accrued contingency expenses	**31**	18	**31**	18
Accrued expenses, natural gas	**4**	4	**4**	4
Accrued expenses, other	**13**	7	**9**	7
Prepaid Telecommunications revenue	**14**	8	**14**	8
Prepaid income, other	**4**	1	**3**	1
TOTAL	**1,078**	728	**1,070**	727

NOTE 25. CONTINGENT LIABILITIES

The Parent Entity acted as guarantor for a loan to STRI AB in respect of acquisition of property in Ludvika. This guarantee, which amounted to SEK 4 million, was redeemed during 2010.

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 26. FUTURE LEASING COMMITMENTS

	GROUP		PARENT ENTITY	
MSEK	**2010**	2009	**2010**	2009
Within one year	**221**	243	**294**	288
Later than one year but within five years	**632**	183	**848**	349
Later than five years	**545**	152	**545**	152
TOTAL	**1,398**	578	**1,687**	789

Agreed future leasing fees fall due for payment as indicated above. 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.

16. PROPOSED DISPOSITION OF EARNINGS

The Government's share of non-restricted equity amounts to SEK 4,057 million, of which the profit for the year amounts to SEK 769 million.

Of the parent entity's non-restricted equity of SEK 3,870 million, of which the profit for the year amounts to SEK 754 million, it is proposed that SEK 499 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 be adopted for 2010.

We certify that the annual report provides a correct picture of the profit/loss 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, 21 February 2011

Bo Källstrand
CHAIRMAN

Anna-Stina Nordmark-Nilsson
DEPUTY CHAIRPERSON

Mikael Odenberg
DIRECTOR GENERAL

Christer Samuelsson

Karin Stierna

Björn Carlsson

Minoo Akhtarzand

Bo Normark

Sture Törnstam
STAFF REPRESENTATIVE ST

Sara Jonsson
STAFF REPRESENTATIVE SACO

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

REPORT ON THE ANNUAL ACCOUNTS
The Swedish National Audit Office has audited the annual report for the Public Utility svenska kraftnät and the Svenska Kraft Group for 2010, dated 2011-02-21.

THE RESPONSIBILITY OF THE MANAGEMENT OF THE AUTHORITY FOR THE ANNUAL REPORT
It is the management of the authority that is responsible for preparing an annual report that gives a true and fair picture according to the Annual Reports and Budget Documentation Ordinance (2000:605), as well as in accordance with the instruction, letter of governance and other rulings relating to the public utility. The management of the authority is also responsible for the internal management and control that they deem to be necessary in order to prepare an annual report that does not contain significant errors, whether due to irregularities or errors.

THE AUDITOR'S RESPONSIBILITY
The responsibility of the Swedish National Audit Office is to express an opinion on the annual accounts based on its audit. The Swedish National Audit Office has conducted the audit in accordance with sound auditing standards. These standards require that the Swedish National Audit Office complies with professional ethics and also plans and carries out the audit in order to achieve reasonable certainty on whether the annual report contains significant errors.

An audit entails using various procedures to collect audit evidence relating to amounts and other information in the annual report, and whether the administration of the management follows applicable regulations and special Government decisions. The auditor selects the procedures that are to be used through, among other things, assessing the risks of significant errors in the annual report, whether they are due to irregularities or errors. When making this risk assessment, the auditor takes into consideration those aspects of the internal management and control that are relevant for how the authority prepares the annual report in order to give a true and fair picture. The aim is to formulate auditing procedures that are appropriate with respect to the circumstances, but not to make a statement about the effectiveness of the authority's internal management and control. An audit also includes an evaluation of the appropriateness of the accounting principles that have been used and of the reasonableness of the management's estimates in the report, as well as an evaluation of the overall presentation in the annual report.

The National Audit Office considers that the audit evidence that has been obtained is sufficient and appropriate as a basis for its statement.

STATEMENT
In the view of the National Audit Office the annual report gives a true and fair picture in all significant respects of the Public Utility svenska kraftnät's and the Svenska Kraftnät Group's financial position as per 31 December 2011 and of its profits and financing for the year in accordance with the Annual Reports and Budget Documentation Ordinance (2000:605), the instruction, letter of governance and other rulings relating to the public utility.

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

The Auditor's Report of the Swedish National Audit Office was submitted on 22 February 2011.

Henrik Söderhielm, Ulrika Meyer

18. THE BOARD OF DIRECTORS

Bo Källstrand
CHAIRMAN

Born 1949, appointed 2009.
County Governor in Väster norrland County.
Other directorships:
Chairman Seventh AP Fund and member of the Royal Swedish Academy of Engineering Sciences, dept. V Electrotechnology

Anna-Stina Nordmark-Nilsson
DEPUTY CHAIRPERSON

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

Mikael Odenberg
DIRECTOR GENERAL

Born 1953, appointed 2008.
Former cabinet minister.
Other directorships:
Member of the Government's Emergency Management Committee, the National Agency for Government Employers board and the Royal Academy of Military Sciences.

Christer Samuelsson

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

Karin Stierna

Born 1970, appointed 2007.
Chair of the municipal executive board, Strömsund Municipality.
Other directorships:
Director of Strömsunds Utvecklingsbolag AB.

Björn Carlsson

Born 1952, appointed 2010.
CEO Ackkärrs Brukand consultant in Investment Banking.
Other directorships:
Director, Åmotfors Energi AB.

Minoo Akhtarzand

Born 1956, appointed 2010.
County Governor in Jönköping County.
Other directorships:
Director of the Swedish Export Credits Guarantee Board and the Swedish Broadcasting Corporation AB. Government investigator of system operator for natural gas.

Bo Normark

Born 1947, appointed 2010.
MD Power Circle AB.
Other directorships:
Member of the Board for Energy Development at the Swedish Energy Agency and Chairman of UP Kraft at the same authority.

Sara Jonsson
STAFF REPRESENTATIVE

Born 1982, appointed 2010.
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.

19. 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
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 8-475 80 00
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
Olof Palmes gata 31, 101 53 Stockholm
Tel: +46 8-677 25 30 Fax: +46 8-677 25 35
www.elforsk.se

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

Nord Pool Spot AS, Head Office
P.b. 121, NO-1325 Lysaker, Norway
Tel: +47 67 10 91 00 Fax: +47 67 10 91 01
www.nordpoolspot.com

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

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

PHOTO:
Johan Fowelin (landscape)
Peter Knutson (portrait)
Håkan Flank (portrait)

ILLUSTRATION
Hampus Ericstam

PRINTING AND REPRODUCTION
Danagårds Grafiska
Ödeshög, MARCH 2011

EDITION
200 English