SVENSKA KRAFTNÄT
ANNUAL REPORT

JANUARY–DECEMBER 2011:

THE INVESTMENTS IN 2011, INCREASED ALMOST SEK 1,500 MILLION TO SEK 2,771 MILLION

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NET INCOME FOR THE YEAR AMOUNTED TO SEK 594 MILLION

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THE GROUP'S REVENUES FELL BY 12 PERCENT

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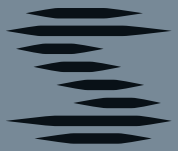
RETURN ON ADJUSTED EQUITY AMOUNTED TO 6.1 PERCENT



S. CONTENTS

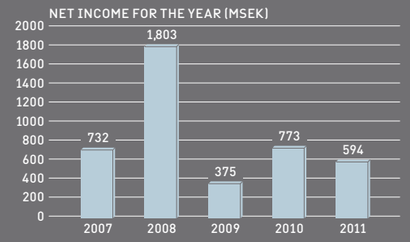
FINANCIAL OVERVIEW

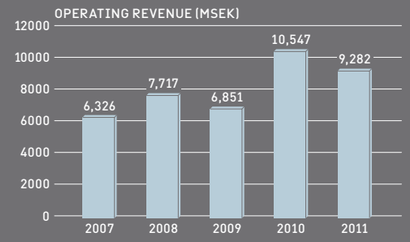
2011 IN BRIEF

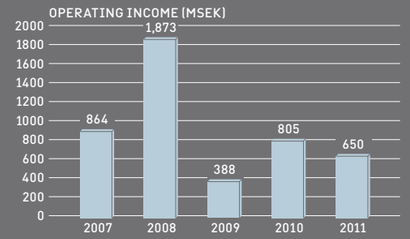
OPERATIONS DURING THE YEAR		2011	2010
Energy supplied	TWh	113.5	110.3
RELIABILITY PERFORMANCE			
Disturbances in the national grid	Number	192	224
Disturbances with power failure	Number	9	10
Energy not supplied (ENS)	MWh	42	5
FINANCIAL FACTS			
Group operating revenue	MSEK	9,282	10,547
Consolidated profit	MSEK	594	773
Return on adjusted equity*	%	6.1	8.4
Debt/equity ratio	%	37	31
Investments	MSEK	2,771	1,276
Total assets	MSEK	15,541	13,209
EMPLOYEE INFORMATION			
Employees	Number	399	376

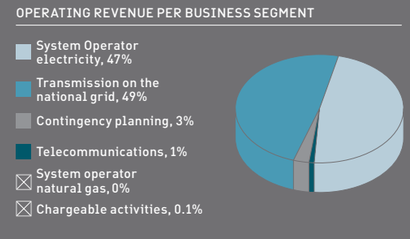
*after tax equivalence, 26.3%

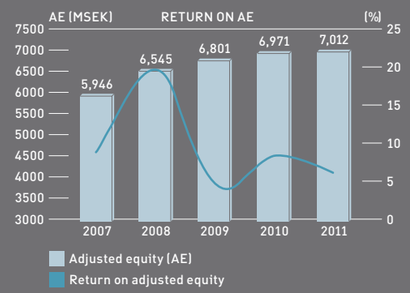
ECONOMIC DEVELOPMENT

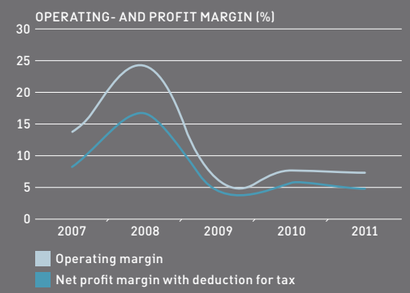












DIRECTOR GENERAL'S STATEMENT

Between 2007 and 2011 Svenska Kraftnät's investments have increased by an average of about 50% each year – from just under SEK 600 million to almost 2 800 million. The Swedish Parliament has granted an investment volume of SEK 3 000 million for 2012, which is equivalent to the total money invested by the utility during the entire 1990s.

IMPETUS BEHIND INVESTMENTS

There are a number of driving forces behind this rapidly increasing amount of investment. An important one of these is the high level of ambition in relation to climate policy, at both national and European levels. Renewable electricity generation will have to increase by about 25 TWh by 2020 compared with the level in 2002, which will require a major expansion of the transmission networks.

Upgrading the reactors of the nuclear power plants is also on-going. A number of new 400 kV power lines need to be constructed from Forsmark and Oskarshamn to facilitate the increased power output from the plants.

Power supply to the metropolitan areas needs to be improved and made more robust. The important power line between Stenkullen and Lindome is currently being built outside Guthenburg. By 2020 Svenska Kraftnät – together with the regional network owners Fortum and Vattenfall – will have invested a gross amount of almost six billion SEK in the Stockholm Ström project, which has the aim of securing the long term power supply to the capital.

STRATEGIC INVESTMENTS

Continued market integration will enable the overall electricity generation resources to be used more efficiently – for the benefit of both the environment and the national economy. This integration is not just necessary to establish a functioning European electricity market, but also to enable large amounts of volatile wind power production to be harnessed. Bottlenecks in the Nordic electricity grids and between the Nordic region and the continent must accordingly be removed by building additional lines.

One such strategic project was completed during 2011, namely the new Fenno-Skan 2 DC link over South Kvarken. The link increases the trading capacity between Sweden and Finland by 40%.

During the year a decision was also taken on another strategic project, the so-called South-West Link. It is Svenska Kraftnät's largest investment ever, and almost SEK 7.5 billion will be invested in a first stage to strengthen transmission capacity from central to southern Sweden.

The project is important in terms of strengthening the AC network, increasing reliability, removing domestic transmission limitations, reducing the risk of price differentials within the country and enabling additional external links. The South-West Link also represents a significant technical step when high-voltage DC technology, HVDC VSC, is introduced in the national grid. At the end of 2011 a contract was concluded for converter stations and ground cables.

FOUR BIDDING AREAS

On 1 November Svenska Kraftnät divided the Swedish electricity market into four different bidding areas on the Nordic electricity exchange. The power exchange price for electricity is then set according to the relationship between supply and demand for electricity in each area.

Dividing the market is not new in the Nordic region, rather it is the foundation on which trading is based in the Nordic electricity exchange. However, Sweden has previously comprised one single bidding area, i.e. the boundary of the bidding area has coincided with the national borders. The boundaries of the bidding areas now reflect the so-called constraint areas where there are bottlenecks in the network that limit transmission capacity. This establishes the conditions to allow the electricity market to deal with these bottlenecks in a way that is consistent with EU competition rules.

The division into bidding areas enables the electricity market to function better. However, the change has been controversial. Now that the price signals can reach the market participants, there will be a relatively high price in areas with a deficit of electricity compared with the price in the areas where supply exceeds demand. At the same time it has become clear where new electricity production needs to be established, and where there is a need to invest in further reinforcement of the network.

Occasionally during November 2011, quite substantial price differences arose between the bidding areas, primarily as a result of low availability of the nuclear power plants. Transmission capacity to southern Sweden improved in line with the reactors being reconnected into the grid. During December and January price differences between northern Sweden and southern Sweden were very small – one Swedish öre per kilowatt hour in December and less than one öre in January.

The intense focus on geographic price differences detracted from the fact that overfull reservoirs and warm weather conditions have actually decreased electricity prices throughout the country. During December 2011 Skåne's electricity price on the exchange was less than half of what it was in December 2010.

CONCLUDING WORDS

The expanding operations make it necessary for the utility to continually improve management, control and follow-up of its extensive project activities. Svenska Kraftnät has also been environmentally certified according to ISO 14001.

During the year Sweden had net electricity exports of 6.9 TWh, compared to last year's net import of 2.1 TWh. During 2011, Svenska Kraftnät achieved the Government's yield requirement and group earnings amounted to SEK 594 million.

Stockholm, February 2012
MIKAEL ODENBERG

THIS IS SVENSKA KRAFTNÄT

Svenska Kraftnät is a state-owned public utility that was set up in 1992 to administer and develop the national grid for electric power – the motorways of the Swedish electricity system. The national grid comprises 15,000 km of 400 kV and 220 kV power lines, about 150 transformer and switching stations, as well as interconnection to neighbouring countries.

Svenska Kraftnät is the system operator for electricity and ensures that there is a continuous balance between electricity fed into and withdrawn from the system to ensure that a frequency of 50 Hertz can be maintained. The utility is also the system operator for the Swedish natural gas network. Svenska Kraftnät is the authority with responsibility for electricity contingency planning, as well as providing guidance with regard to the supervision of dam safety in Sweden.

Svenska Kraftnät promotes an open Swedish, Nordic and European market for electricity and natural gas. It develops the national grid and the electricity market in order to meet the needs of society for a secure, environmentally friendly and economic electricity supply. In doing this it also has an important role to play in climate policy.

At the end of 2011 the utility had 399 permanent employees, the majority of whom work at the head office in Sundbyberg. The national control room, from which the national grid is monitored and controlled 24 hours a day, is also located there. There are also offices in Sundsvall and Halmstad, as well as a control centre in Sollefteå. Hundreds of other people are employed as contractors for maintaining the national grid.

During 2011 turnover amounted to just under SEK 9.3 billion and the balance sheet total to just over SEK 15.5 billion.

The operation is regulated by legislation, by laws and an annual letter of governance from the Government. The Government also appoints Svenska Kraftnät's Board of Directors and the Director General. The utility, or parent entity, is organised into nine departments. In addition there are six councils for cooperation with various external stakeholders. Svenska Kraftnät has three subsidiaries and five associated companies, among which is Nord Pool, the Nordic electricity exchange, with its registered office in Oslo.

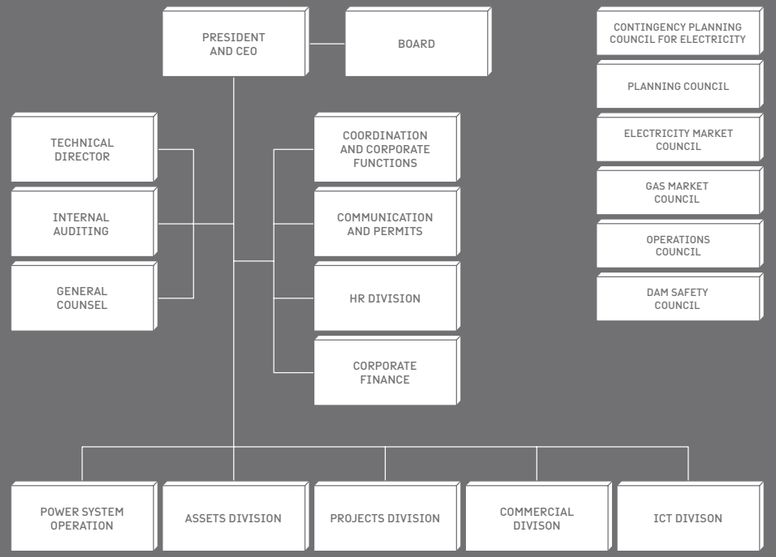
ACTORS IN THE ELECTRICITY MARKET

In its role as national grid operator, Svenska Kraftnät has direct contact with the 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 consumption forecast. Svenska Kraftnät makes this forecast in consultation 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. Electricity producers or electricity trading companies are examples of balance providers. All electricity consumers must have a balance provider that is responsible for their consumption. In practice, each electricity supplier ensures this. Electricity suppliers can be balance providers themselves, or can transfer the responsibility to another company. The local electricity network companies submit the consumption figures to Svenska Kraftnät, which uses them to calculate how the balance providers are to balance production against consumption.

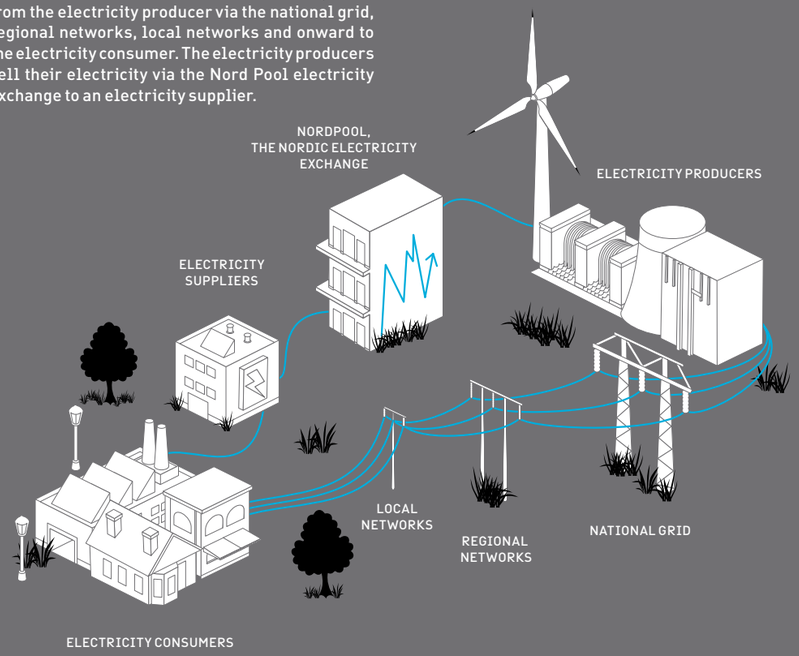
System operators in other countries are also included as actors in the electricity market. International cooperation is being continuously developed and over time is assuming an increasingly distinct European focus, with all European grid operators collaborating in the ENTSO-E organisation.

ORGANISATION



THE ROUTE ELCTRICITY TAKES

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



VISION AND VALUES

»A LEADING ROLE FOR A SECURE AND SUSTAINABLE ENERGY SUPPLY«
This is Svenska Kraftnät's vision. It expresses our ambition to have 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.

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

- Development
- Responsibility
- Efficiency
- Clarity

DEVELOPMENT
The rapidly increasing rate of investment means that Svenska Kraftnät is facing new challenges. We will develop, renew and expand the national grid. We will handle new technical solutions in everything from cables to wind power and IT systems. We will maintain a high level of expertise and be active 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 central role and as a government agency. This includes responsibility for socially important infrastructure, but also responsibility for ensuring that Sweden is able to fulfil the Government's 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.

IMPORTANT EVENTS IN THE BUSINESS

JANUARY
Estonia's President Toomas Hendrik Ilves and King Carl XVI Gustaf visit the head office in Sundbyberg and Svenska Kraftnät's control room.

Svenska Kraftnät signs a contract with ABB for a grid installation in Hurva and with Alstom for a similar one in Barkeryd. The two plants are part of the South-West Link. The total acquisition value of the investment amounts to some SEK 300 million.

Svenska Kraftnät conducts a crisis management exercise with the natural gas industry.

FEBRUARY
An environmental management system is launched as a tool for the utility's work on environmental issues. Work starts on achieving an environmental certification during the year.

The board decides to invest SEK 2,650 million in the Stockholm Ström project to build the CityLink from Anneberg to Ekudden, which will free up land for new houses. The aim of the project is to provide the growing Stockholm region with an electricity grid with improved structure and increased reliability.

Svenska Kraftnät submits its investment plan for 2012–2014 to the Government. The public utility's investments are estimated at SEK 11,400 million for the three-year period.

MARCH
The Director General participates in the Ministry of Industry, Employment and Communication's dialogue meeting on development of smart electricity networks. The purpose of the meeting is to start a dialogue on how different actors can jointly contribute to a long-term development of the Swedish electricity network in order to tackle future energy and climate objectives.

Svenska Kraftnät holds its annual meeting for customers and stakeholders.

APRIL
The Network Development Manager Ulf Moberg succeeds Sture Larsson as Technical Director of Svenska Kraftnät.

The Research and Development Manager Göran Ericsson is appointed senior lecturer at KTH's School of Electrical Engineering.

To enable improvement and development of the operation, an employee survey is conducted with the aim of ascertaining the staff's opinions and attitudes.

Minister for Trade Ewa Björling visits Svenska Kraftnät.

MAY
Staff Manager Bo Krantz is appointed Deputy Director General.

The enquiry into future management of system responsibility for gas (SOU 2011:46) submits a proposal for how current system responsibility operations at Svenska Kraftnät should be transferred to a new operator.

Svenska Kraftnät organises the first »contractors day« with the aim of giving our contractors and consultants an overview of our investments and future challenges.

JUNE
Svenska Kraftnät's Technical Director is chosen as a new board member when the ENTSO-E organisation meets in Vilnius. ENTSO-E is a collaboration between 42 electricity companies and authorities with system responsibility in 35 European countries.

JULY
Svenska Kraftnät takes part in Almedalen Week on Gotland. The Director General visits and participates in a number of seminars and panel debates on topics including expansion of the national grid, harmonisation issues and smart electricity networks.

The power reserve is procured for winter

2011/2012. During the period 16 November 2011 to 15 March 2012 Svenska Kraftnät will have at its disposal over 1,726 MW, 1,364 MW of which constitute generation and 362 MW reduction in consumption.

AUGUST

Svenska Kraftnät submits its annual report on the Swedish power balance to the Government. The report details how the power balance (the peak power balance) in the Swedish electricity market has been maintained during the past winter and what the forecast is like for the coming winter.

The Board of Directors decides to raise the national grid tariff from 1 January 2012. The increase is in accordance with what was announced in the three-year investment and financing plan in February.

SEPTEMBER

Svenska Kraftnät's Board of Directors decides to invest SEK 7.3 billion in the power line project in the South-West Link's northern and southern branches – from Hallsberg in Närke to Hurva in Skåne. The project is unique, both in scope and technical execution. The investment will bolster reliability and improve transmission capacity, thereby reducing the risk of differences arising in the electricity price between southern Sweden and the rest of the country.

The first transmission of power is implemented on the new Fenno-Skan 2 link when 40 MW is transported from Sweden to Finland.

OCTOBER

The low level of availability from the nuclear power plants makes it necessary to activate back-up power, an exceptional measure for this time of year. As all reactors in Ringhals are shut down for two weeks, Sweden is dependent on imports and generation in the oil-fired condensing power plant in Karlshamn during the high load hours. One reactor in Stenungsund is also kept on standby in order to tackle the strained situation and to maintain reliability.

A certification audit of the environmental management system is conducted.

Svenska Kraftnät awards the prize that Polhem 350 has announced during the jubilee year for outstanding technology teachers at elementary school level. Ten prize-winners receive SEK 15,000 each.

NOVEMBER

On 1 November Svenska Kraftnät's decision to divide Sweden into four bidding areas enters into force. This means that the exchange price for electricity is set according to supply and demand in the respective area.

The Energy Markets Inspectorate (EI) submits Svenska Kraftnät's application for a concession for the South-West Link's southern branch to the Government.

Fenno-Skan 2 is put into operation.

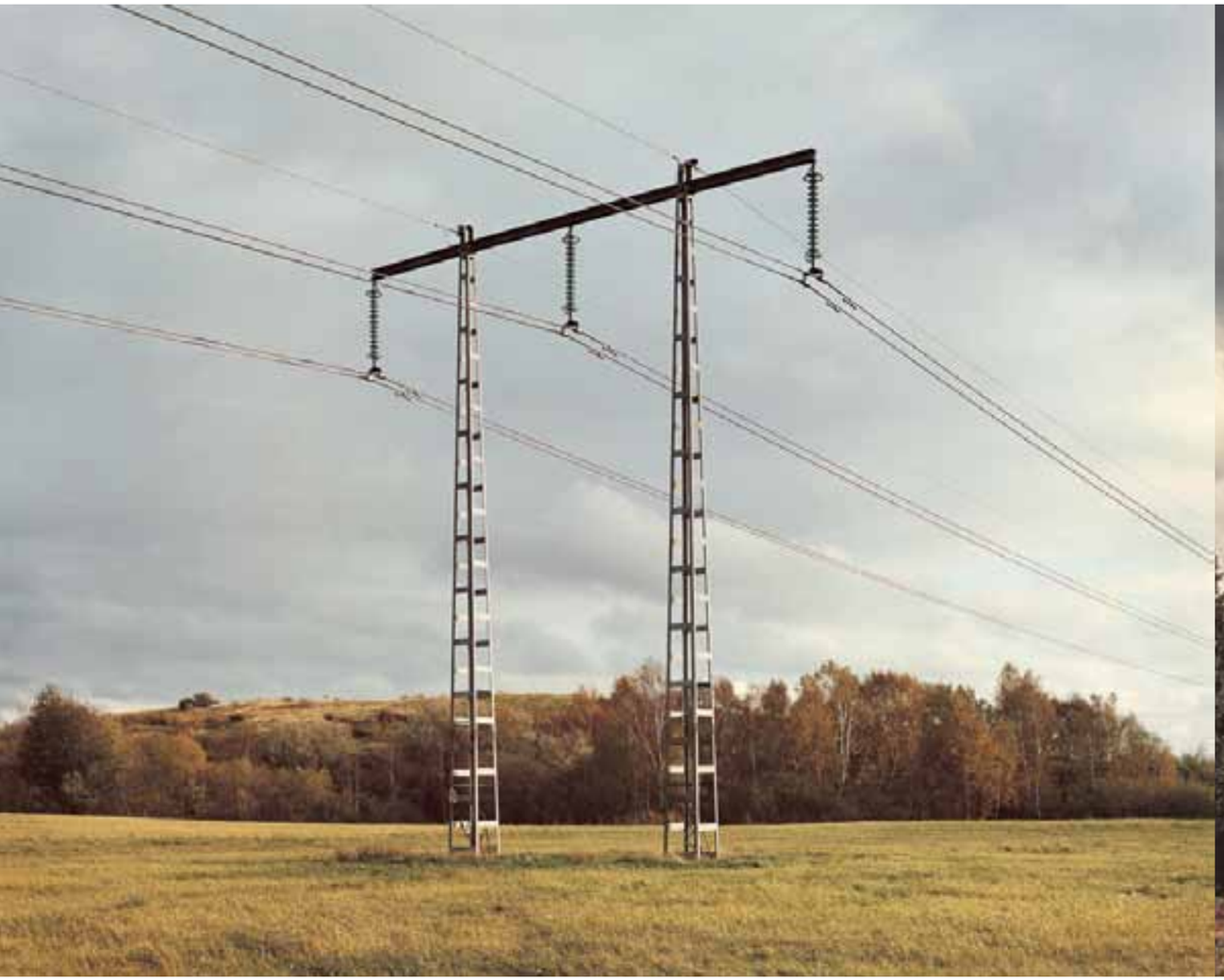
The Swedish Parliament ratifies a law on electricity certificates. It entails Sweden introducing a common electricity certificate market with Norway from 1 January 2012.

DECEMBER

Svenska Kraftnät's environmental management system is certified according to ISO 14001.

A contract is signed with the contractor Alstom for the converter stations for the South-West Link's southern branch. The contract amounts to SEK 2.18 billion.

A contract is signed with ABB for the ground cable for the same project. The contract amounts to SEK 1.17 billion.



REPORT OF THE BOARD OF DIRECTORS 2011

01. STRUCTURE AND CONTROL

THE SVENSKA KRAFTNÄT PUBLIC UTILITY

Svenska Kraftnät is a state-owned public utility with the task of administering, running and developing a cost-effective, reliable and environmentally compatible power transmission system, and also to sell transmission capacity. 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's task is to

- 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 make available the network capacity in them
- be the accounting authority in accordance with the Electricity Certificates Act
- as accounting authority, deal with 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 generation
- be the national authority responsible for a safe and secure electricity supply
- provide the Government with an annual report of its work as the system operator for natural gas, in particular details of significant circumstances 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
- monitor the conditions that the European Parliament has imposed for access to networks for cross-border electricity trading and collect capacity charges for this within Svenska Kraftnät's business segment .
- 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 focus 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 to reduce damage resulting from high rivers 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

In common with public administrative authorities, Svenska Kraftnät 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. Svenska Kraftnät prepares a three-year investment and financing plan every year 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 approves rules of procedure for Svenska Kraftnät. In turn the Director General approves an internal procedure for delegation.

The Svenska Kraftnät Group consists of the parent entity (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 GOVERNANCE AND CONTROL

Internal governance and control refers to the process of ensuring that there is reasonable certainty that Svenska Kraftnät will fulfil the requirements placed on it 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 goals of the operation cannot be fulfilled.
- Control structures detailing which controls have been selected 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.
- Following-up, which has the aim of ensuring 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 a chairperson and up to two of its members to an audit committee. The committee supports the Board in matters concerning internal management and control, as well as internal auditing.

During 2011 the public utility introduced a support system for operations planning and follow-up. The main aim of the system is to facilitate and clarify the work of planning and following-up operational objectives and risks, as well as the specific assignments that Svenska Kraftnät receives from the Government. The support system also handles the objectives, key ratios, deviations, incidents and proposals that are included in Svenska Kraftnät's environment management system. During the year the support system has chiefly been used by the utility's managers and executive body. As an element in increasing overall awareness about our objectives, risks and assignments, all employees have access to the support system,

where it is simple for them to view planning and follow-up of the utility's work.

OVERALL OPERATIONS PLANNING

Svenska Kraftnät's guidelines for operations planning delineate the rules and regulations and the process that applies for Svenska Kraftnät's 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. The work of implementing these guidelines has continued during 2011. Minor adjustments in the working method have been introduced in connection with planning the objectives for 2012 so that they more clearly encompass all operations, making it easier for employees to relate to the operational plans produced.

The operational planning process includes producing long- and short-term objectives, and conducting a risk analysis. This is done in order to identify the risks that might impede achievement of the objectives. A situation analysis and a number of target areas act as starting points in determining the objectives. The situation analysis is updated annually. The target areas show Svenska Kraftnät's operations and the long-term objectives show what we will be focusing on in the coming years. Together the situation analysis and the target areas constitute a document called planning preconditions, which is approved by the Director General. The aim of the planning preconditions is to both achieve an organisation that plans and works with the same focus and to strengthen internal management and control.

Besides drawing up planning preconditions, all aspects of operations planning take place at departmental level. Of the objectives that are produced for each department, 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 on fulfilment of objectives and risk analysis takes place on a quarterly basis at both departmental and 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 and takes place at both departmental and utility level. A risk analysis at departmental level is presented in each department's operations plan. Risks at utility level are compiled in a risk report together with a plan of action. These risks are dealt with by the departments concerned, and follow-up of all risks takes place in connection with quarterly reporting.

Measures have been implemented during 2011 that have led to four of the twenty significant risks that were identified prior to the start of the year now having a lower risk value. Of these four, one risk is now no longer deemed to be a significant risk. A further two risks have been evaluated as higher at the end of 2011 than in 2010. One risk has been added during 2011.

Twenty risks have been identified as significant risks for 2012 within the following areas: expansion projects and renewable sources of energy, breakdowns and sabotage, financial risks, environmental risks and IT related risks. Every year the Board of Directors conveys its view of risk assessment by familiarising itself with and approving the utility's general operations plan and overall risk analysis. The significant risks are presented in detail in the document »Risk analysis according to the Ordinance on Internal Management and Control« which is adopted annually by the Board of Directors.

OVERALL OPERATIONS RISKS

Svenska Kraftnät is currently engaged in a large number of projects to develop power lines and stations. The number of projects is increasing and accordingly, the volume of investment as well. A great deal of resources and specific expertise is required, both internally within the utility and externally among the contractors, designers and consultants that are engaged to construct the stations and power lines. To cover the shortfalls in resources and expertise, both Svenska Kraftnät and the utility's contractors are employing a large number of new staff. Work is continuously proceeding on improving project control, project management, follow-up and inspection.

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 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 for the entire electricity supply system 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 through, among other things, an extensive investment programme, to further increase the reliability of the national grid.

At present the risk and likelihood of sabotage in relation to Svenska Kraftnät's facilities is slight. However, the threat scenario can change rapidly. In conjunction with converting or building new 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.

FINANCIAL RISKS

Svenska Kraftnät is exposed to financial risks such as credit risks, price area risks, currency risks, interest rate risks and liquidity risks. They are handled through guidelines for financial management and Svenska Kraftnät's fiscal policy. The risks to which Svenska Kraftnät is exposed through procurement of network losses are handled through guidelines for procurement of network losses.

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

There is a heightened risk during the year of the new settlement system not working satisfactorily. Large financial values are computed and dealt with in the system. Shortcomings in quality in the settlement also entail goodwill losses.

OTHER RISKS

Svenska Kraftnät's capacity to monitor and control the national grid is based on well-functioning IT- and telecommunications systems. To ensure operation of the IT- and telecommunications systems they are constructed 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 environmental requirements are set when procuring construction and maintenance contracts.

SUBSIDIARIES AND ASSOCIATED COMPANIES

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

SUBSIDIARIES

SwePol Link AB

The company owns and administers 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 and two return cables between these stations. The link is rated at 600 MW. SwePol Link AB owns the part of the link that is located on Swedish and international territory. A wholly-owned subsidiary of SwePol Link AB, SwePol Link Poland Sp.zo.o. owns that part of the DC link which runs through Polish territory. Svenska Kraftnät owns 51% and the Polish company PGE Polska Grupa Energetyczna SA owns 49%.

Turnover in the SwePol Link group was SEK 337 (246) million. SwePol Link AB turned over SEK 238 (182) million and the Polish subsidiary SEK 99 (64) million.

Svenska Kraftnät Gasturbiner AB

The company is wholly owned by the Svenska Kraftnät public utility, and and its mission is to operate and maintain the gas turbine plants that Svenska Kraftnät needs for its operation. The business was set up in 1999 so that the Svenska Kraftnät public utility could secure resources in the long term for dealing with disruptions 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 amounted to SEK 84 (91) million.

Svenska Kraftkom AB

The company is wholly-owned by Svenska Kraftnät. The company has been non-operational since 2003.

Turnover amounted to SEK 0 (0) million.

ASSOCIATED COMPANIES

Nord Pool Spot AS

The company organises a physical trading exchange for electricity in the Nordic region and Estonia, what is called the 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 trade amounted to 294.4 (334.9) TWh. Gross turnover amounted to NOK 115,000 (144,000) million and net turnover was NOK 145 (124) 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.

Turnover amounted to SEK 32 (25) million.

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 amounted to SEK 44 (47) 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 partners are Svenska Kraftnät with 25%, ABB AB with 50%, Statnett SF with 12.5% and Vattenfall AB with 12.5% of the company.

Turnover amounted to SEK 82 (86) million.

Elforsk AB

Elforsk conducts joint operations in the field of research and development on behalf of the electrical power sector in Sweden. Svenska Kraftnät is mainly involved within the areas transmission of electricity and 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 Swedenergy.

Turnover amounted to SEK 110 (169) million.

Results

The associated companies that are part of the Group and that have the greatest impact on the Group's earnings are 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 amounted to SEK 9 (20) million.

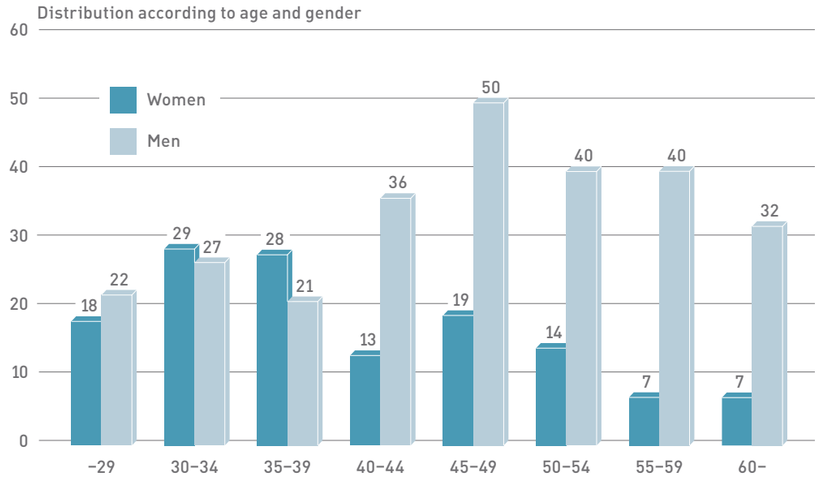
SHARE IN PROFITS FROM ASSOCIATED COMPANIES (MSEK)	2011	2010
Nord Pool ASA (up to and including 31 May 2010)	-	9
Nord Pool Spot AS	6	5
Kraftdragarna AB	2	4
Others	1	2
TOTAL	9	20

EMPLOYEES

Svenska Kraftnät's organisation is growing substantially in line with the continually increasing volume of investment. There is simultaneously a greater requirement on the utility's presence in international contexts, which entails more job assignments and a greater need for new expertise. The increased resource requirement is at a time when several employees with key skills are approaching retirement age. It is therefore becoming increasingly clear that external resources are required to a greater extent.

Svenska Kraftnät is an outsourcing organisation, but has decided to man strategically important positions with its own staff. As an outsourcer we are not able to control which skills are available in the market, and it is therefore an important challenge to work together with consultants and contractors to maintain skills that are important for Svenska Kraftnät within the industry.

A growing organisation places increased requirements on changing and developing its method of working. This applies to both planning and



prioritising projects and maintenance and for internal communication channels and execution of supporting administrative roles. The need for a well-functioning administrative, usually IT-based, support system is increasing at the same pace.

External changes and requirements, together with our own internal strengths and weaknesses, are placing additional requirements on our skills provision having to be long-term and well planned. It must be based on the operation's requirements and needs, and endeavour to deliver a good balance of age, gender and ethnicity.

The »Sweden's Best Workplace« project was started in order to further strengthen Svenska Kraftnät's brand and attractiveness as an employer. During the year an employee survey was conducted which showed that Svenska Kraftnät is already a very good employer. The results were the best since we started to conduct surveys in 1999. Internal meetings in working groups have enabled all employees to give their views on where improvements are needed. The aim of the project is to become one of Sweden's ten best employers by 2015.

The number of permanent employees in the group at year end was 399 (376), which when converted into full-time jobs is 388 (360), 261 of which are men (247) and 127 (113) women. Staff turnover amounted to 6 (4.3)% including retirement. Sick leave during the year was 2.1 (2.1)%. The average age within Svenska Kraftnät is 45 (45).

A total of 39 (52) employees are due to retire from the business within the next five years. Our age profile has changed substantially during the last ten-year period. From having been an organisation with the emphasis on older employees, the age profile is now more balanced. It is worth noting the even gender distribution among younger employees.

SKILLS PROVISION – GOALS AND OUTCOME

Goals for certain key figures for 2010, goals and outcomes for 2011, as well as goals for 2012 are presented in the table below. Goal fulfilment has been satisfactory. The clearest discrepancy is that recruitment of new staff has proceeded more slowly than budgeted.

Skills provision

At the start of the year each department specified which areas of expertise would be essential for the operation in the years to come, and also which skills gaps need to be filled. The specification also set out where there is a high level of dependence on key individuals in the organisation, as well as the risks that may arise if the gap is not remedied.

According to the employee survey, just about all employees have had a performance appraisal at which individual development plans have also 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. The analysis shows which employees in this group have business critical expertise which must in some form be transferred to younger staff. During 2011 plans were drawn up for this type of skills transfer in

relation to 40 employees – 16 of whom have skills that are critical to the business.

Svenska Kraftnät has participated in four careers fairs at selected universities, and has offered students master degree projects.

KEY FIGURES, GOALS AND OUTCOME	OUTCOME 2010	GOAL 2011	OUTCOME 2011	GOAL 2012
Number of permanent employees	376	423	399	475
Full-time employment	360	400	388	460
Staff turnover in total	4.3%	<5%	6%	<5%
Staff turnover excl. retirements	2.2%	2.5%	2.8%	2.5%
Average age	45	45	45	<45
Proportion of women	31%	32%	33%	>33%
Proportion of female managers	30%	30%	44%	>40%
Foreign background (SCB's def.)	-	-	12%	>13%
Sick leave	2.1%	<2%	2.1%	<2%
Long-term healthy employees (no days of illness)	59%	62%	62%	>62%
Proportion on long-term sick leave of over 60 days	0.8%	<1%	0.8%	<1%
Proportion of long-term sick that work full-time	0	0	1	0
New employees	59	60	48	85
Average age of new employees	35	35	37	35
Proportion of women among the new employees	41%	40%	31%	>40%
Job rotation	27	>25	16	>25
Number of trainees	7	7	7	6
Participation in careers fairs	4	<4	4	4
Number of master degree projects	2	<5	1	7

Work environment and health

Svenska Kraftnät has continued to focus on being a healthy and safe workplace with good results, which is also confirmed in the employee survey. In cases of long-term illnesses we react quickly and after two weeks of reporting sick, a plan of action is drawn up between employee and manager. This is a major contributory factor that by and large all people with long-term illnesses return to work. During autumn risk assessments were conducted throughout the organisation in relation to the work environment.

SICK LEAVE (%)	–29	30–49	+50	TOTAL
Women	1.1	3.0	3.0	2.7
Men	1.1	1.4	2.5	1.8
TOTAL	**1.1**	**2.0**	**2.6**	**2.1**

Gender equality and diversity

The increase in the number of employees in conjunction with the high level of retirement has enabled us to actively recruit both more female employees and employees with different ethnic and cultural backgrounds. However, there is no key figure showing the proportion of employees with an immigrant background. The employee survey revealed that we are perceived as a very equal and family friendly company, where great consideration is paid to employees with different backgrounds. The proportion of women in the organisation is steadily increasing and is now over 33%.

Leadership

A new blueprint for provision and development of management was drafted during the year. The aim is to more clearly identify prospective managerial talents and strengthen the support to our existing managers through an extensive management programme that will highlight the various dimensions of leadership. The new management programme will commence during the first quarter of 2012.

During the year our managers have received increased individual support in their leadership. The proportion of women at middle management level is increasing and is approaching 50%. Ten years ago Svenska Kraftnät only had one female manager.

VISION AND VALUES

During the year extensive work has been undertaken throughout the organisation to further implement the utility's fundamental values.

TARGET FOR SKILLS PROVISION 2012

The continuing high rate of investment will have a major effect on skills provision in 2012 too. A large number of new employees will be recruited during the year. According to the budget, the number of employees at the end of 2012 should be 479. The employees should also have the perception that the organisation's resources are being used effectively and that the operation is characterised by competence, quality and order. We must further improve our recruitment process and the introduction of new employees.

As in previous years, Svenska Kraftnät will therefore implement a skills analysis, which will ensure that the entire organisation has the correct skills to manage our goals and challenges. The analysis will also describe activities to manage the skills transfer from older (+60) to younger employees.

Our managers are offered a management programme for both personal development and practical managerial support. We will also identify twelve prospective managerial candidates and implement a preparatory management programme for them. Six new trainees will be recruited during the spring and the programme will start on 1 September.

The procedures for work environment management in construction projects will be improved. The work environment management will be followed up with risk assessments in each department and unit.

The work on gender equality and diversity will continue. During the year we will launch a concept enabling more flexible conditions of employment under specific parameters.

An activity plan has been drawn up for continued work on basic values. An internal booklet will be produced describing Svenska Kraftnät's fundamental values, leadership criteria and challenges from an internal perspective.

The work of strengthening Svenska Kraftnät as an employer will continue and surveys will be conducted among students and our own staff in this respect. We will participate in four career fairs and offer master degree projects to at least seven students.

Other objectives for 2012 can be derived from the table for key figures, goals and outcomes.

TARGET FOR SKILLS PROVISION 2013/2014

The work to bolster Svenska Kraftnät's attractiveness as an employer will continue. The growth in the organisation means that management provision is becoming increasingly important. The long-term objective is for all our managers to meet the requirements that we place on them through our leadership criteria. The work environment for staff and consultants, as well as the work environment in our construction projects will require more resources. In all probability a management system for the work environment will therefore be introduced. Svenska Kraftnät will be affected by the lack of senior technical expertise, however, there is fortunately increased interest among students who want to work in the energy industry. We therefore have to be active at selected universities so that we can attract young graduates. Our esteemed trainee programme will remain a part of this work.

The following long-term objectives are in the operational plan:

- Svenska Kraftnät will be one of Sweden's ten most attractive employers by 2015.
- Svenska Kraftnät's fundamental values must be well-known and permeate the entire operation.
- Svenska Kraftnät shall recruit, develop and retain staff and managers so that the correct skills are available to achieve the operation's objectives.
- Our managers must be clear, responsible and deliver results on time.
- Svenska Kraftnät must be an employer where gender equality and diversity are self-evident.
- Svenska Kraftnät will actively manage the work environment, contributing to a healthy and safe workplace.

02. INVESTMENTS AND FINANCIAL GOALS

FINANCIAL GOALS

According to the letter of governance for 2011, Svenska Kraftnät (the Group) must achieve a return on adjusted equity of 6% following deduction for tax equivalence of 26.3% excluding profit components from sales in associated companies and excluding congestion revenues (capacity charges) that exceed costs for counter trading and that are not used for any reduction of network tariffs. The return on adjusted equity in 2011 was 6.1 (8.4) %, which means that the goal was accomplished.

The debt/equity ratio was 37 (31)%, which is in line with the letter of governance's ceiling of a maximum of 73%.

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

Svenska Kraftnät is in a period of considerably higher investments than has historically been the case. Over a five-year period annual investments have increased from SEK 596 million in 2007 to SEK 2,771 million in 2011.

There are a number of driving forces behind the investments in the national grid. They primarily concern limitations in transmission capacity, demands for market integration, expansion of renewable electricity generation, increases in output in nuclear power plants, the need for more robust electricity supply and an increased need to refurbish old installations.

The Group's investments amounted to SEK 2,771 (1,276) million. New investments constituted SEK 2,290 (803) million and reinvestments SEK 481 (473) million.

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

INVESTMENTS (MSEK)	2011	2010
Parent entity		
Investments in grid	2,649	1,200
Investments in fibre optic cables	11	0
Other intangible investments	62	55
TOTAL, PARENT ENTITY	**2,722**	**1,255**
SwePol Link	25	1
Svenska Kraftnät Gasturbiner AB	24	20
TOTAL	**2,771**	**1,276**

The Swedish Parliament has approved an investment plan for 2011 of SEK 3,320 million. Investments in the national grid are lower than stated in the investment plan due to delays in some of the major ongoing projects and postponements to timetables in a number of projects.

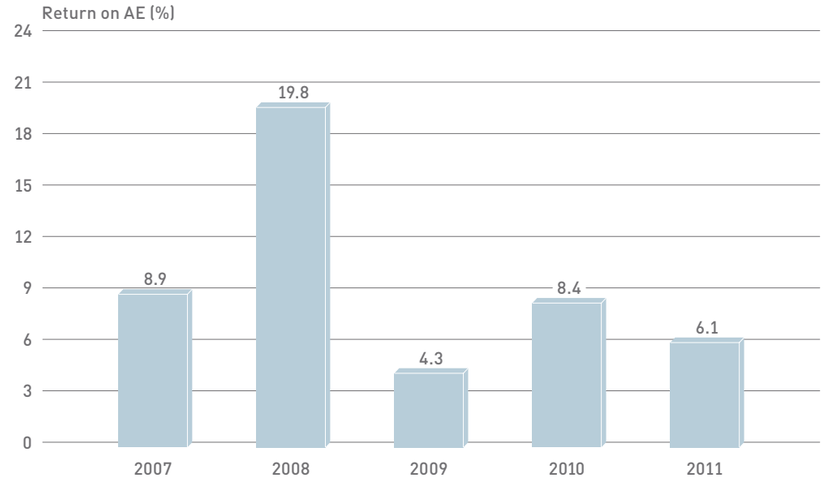
INCREASED MARKET INTEGRATION

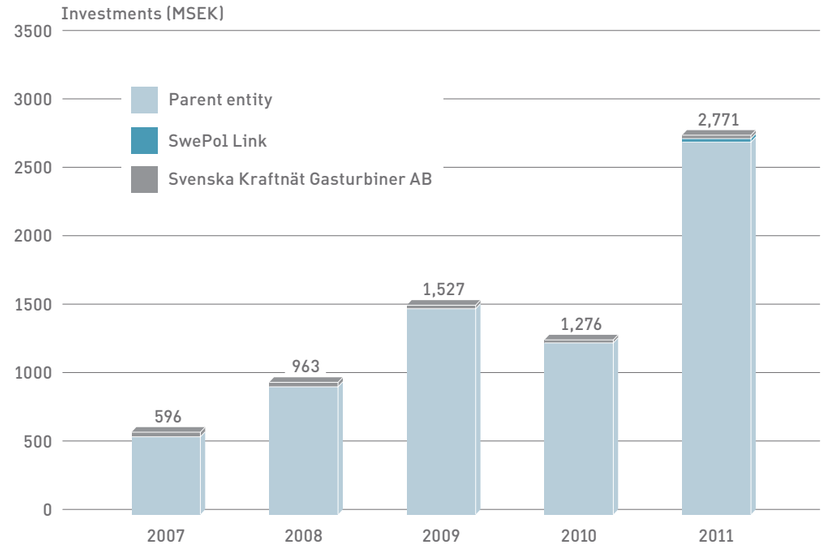
The Fenno-Skan 2 project has consumed a quarter of the investment funds for 2011. The 800 MW and 500 kV DC links between Rauma in Finland and Finnböle in Sweden were put into operation during the year. Expansion is taking place on the Swedish and Finnish sides and encompassed two converter stations, a 200 kilometre submarine cable, a 70 kilometre 500 kV overhead line for direct current and a new 400 kV switchyard. The project is part of Nordel's systems development plan from 2004, which comprised five priority projects.

The South-West Link is Svenska Kraftnät's largest investment ever. It is estimated at over SEK 11 billion and comprises some twenty projects. The purpose of the South-West Link is to strengthen and increase the transmission capacity in the national grid to Southern Sweden and Norway. The South-West Link also boosts reliability in the electricity system. Work on acquiring land and planning power lines and stations has proceeded during the year. Proposals for routes for the western part to Norway, which will be built together with Statnett SF, have been examined during the year. The South West Link is included in the two latest Nordic system development plans, which set out priority projects for the Nordic electricity market.

NordBalt is another foreign link and is going to be built between Sweden and Lithuania. It will link up the Nordic electricity market with an emerging market in the Baltic states. At the same time the link will contribute to improving the Baltic states' security of supply in terms of electricity. It is a collaborative project between Svenska Kraftnät, LitGrid and Latvenergo and is prioritised by the EU Commission. The EU Commission has set aside 175 million euros for the project within the framework of the European Energy Programme for Recovery (EEPR), 131 million for the cable link and 44 million for the network reinforcements needed in Latvia.

The line between Stackbo and Hamra was built in the early 1950s, which means that it is not adapted for the transmission capacity requi-





red when the new Fenno-Skan 2 line and new wind power is connected. The transmission capacity on the route must therefore be expanded. The pylons on the existing line are not designed for a larger cable area and a new line will therefore be built in the existing powerline corridor. The existing line will be demolished. The work will be implemented in three stages during the summers 2011–2013.

In order to secure a reliable electricity supply for the Göteborg area a new 400 kV line is planned between Stenkullen and Lindome. The project is a first stage in increasing the capacity over the so-called West Coast constraint area. Svenska Kraftnät's undertaking in relation to the EU Commission included the fact that the line would be in operational no later than 30 November 2011. The project has been delayed due to a drawn-out permit process. The Commission has consequently been informed that the line is planned to be in operation by August 2012.

Investments with the aim of increasing market integration and counteracting bottlenecks have amounted to SEK 1,795 million during the year.

CONNECTION OF WIND POWER

Adaptations to enable the expansion of wind power is the driving force behind a number of investments. A wind farm is planned in a 450 km² area in Markbygden, 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 on the national grid. Work on the first 400 kV station, Råbäcken, commenced in 2011. A new 400 kV switch yard has also been erected in Storfinnforsen to facilitate connections for a new wind farm of 1,000 MW.

Plans are in place to build large-scale wind power on Gotland. During 2011 Svenska Kraftnät designed a connection of the electricity network on Gotland for the Swedish national grid. The plans include two 500 MW DC links between the mainland and Gotland as the two existing regional network connections are no longer sufficient for the planned expansion of wind power.

Together with E.ON Sverige AB, Svenska Kraftnät has erected Häradsbo, a new station in Torup in Halland that enables connection of new wind power.

New wind farms are also planned between Bollnäs and Ockelbo. An offshore wind farm is planned in a later phase, southeast of Söderhamn. The total output installed in the area is estimated at approx. 1,000 MW. The high output means that a new connection point will be needed in the national grid. A new station, Grönviken, is planned for the 400 kV Stackbo – Stöde line. Investments for wind power adaptations during the year have amounted to SEK 70 million.

INCREASES IN OUTPUT FROM NUCLEAR POWER PLANTS

The electricity networks that connect the nuclear power plants are adapted for the plants' original capacity. Power supplied from the nuclear power plants has gradually increased since the 1980s. A point has now been reached where extensive reinforcements are needed in the connecting networks to enable the nuclear power plants to implement further increases in output. Svenska Kraftnät is engaged in erecting two completely new 400 kV power lines out from Forsmark and one completely new powerline out from Oskarshamn. A new switch yard, Ekhyddan, has been built in connection to Oskarshamn.

Investments in adaptations for increased nuclear output during the year have amounted to SEK 62 million.

CHANGED NETWORK STRUCTURE IN SEVERAL CITIES

Expansion in a number of cities has made it necessary to review the network structure. Stockholm Ström comprises an investment of SEK 5,630 million, SEK 4,600 million of which is from Svenska Kraftnät covering more than fifty subprojects and affecting the network owners Svenska Kraftnät, Vattenfall AB and Fortum, as well as 21 municipalities in Stockholm County. The aim is to achieve an improved network structure, reduced network losses and increased security of supply. The new network structure entails rerouting the electricity network with a 400 kV ring around Stockholm and 150 kilometres of power line corridors being released for development or alternative land use.

The final agreement for implementation of Stockholm Ström was signed in December 2011, which means that all necessary agreements for the project have been signed. The three network owners will receive roughly SEK 1 billion in compensation for the powerline corridors that have been released. A new national substation and a new connection for the regional network were put into operation in Uppsala during 2011. Investments have also been made in Gothenburg with the aim of increasing security of supply.

Investments in Stockholm, Gothenburg and Uppsala during the year have totalled SEK 286 million.

INCREASED NEED FOR REINVESTMENTS

The oldest parts of the national grid are starting to age. Development of the 400 kV network started in the early 1950s, while construction of the 220 kV installations started even earlier. This means that there is a major need for reinvestments in the national grid's existing facilities. Plans for renewal of stations and earth wires have been drawn up. Many stations are approaching the end of their technical lifespan. The intention is to convert them into modern twin breaker switch yard. All 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 therefore need to be replaced. The technical status of the earth wires has been assessed and they are gradually being replaced. In a few years all steel earth wires in the 400 kV network will have been replaced. Action has been taken in 43 projects within the reinvestment programmes during the year.

During the year reinvestments in power lines have amounted to SEK 48 million and in stations SEK 376 million.

OTHER MAJOR INVESTMENTS

From time to time the voltage in the national grid exceeds the limit values set in certain points, which both has a negative impact on reliability, and can shorten the technical lifespan of electrical devices. Eight reactors will be installed in the next few years to improve the options of regulating the voltage within set limits. During 2011 a reactor has been put into operation in Söderåsen. Installation of reactors is underway in Hallsberg, Morgårdshammar and Skogssäter.

Svenska Kraftnät's system for control and monitoring was commissioned in 2001 and is approaching the end of its useful life. The aim of the HUDS project is to introduce a new operational monitoring system, which both meets the requirements placed on the control room operation, as well as today's very high requirements in terms of IT security.

Other major investments during the year amounted to SEK 159 million.

TURNOVER AND NET INCOME

The Svenska Kraftnät Group's operating revenue fell by 12%, amounting to SEK 9,282 (10,547) million. The lower operating revenue is primarily a result of lower income for regulating and balance power sold, which is due to the fact that the electricity price level was lower in comparison with last year.

Operating expenses amounted to SEK 8,641 (9,762) million. Expenses for balancing power decreased substantially by SEK 1,376 million, for the same reason as the lower income for regulating and balance power. Costs for counter-trade decreased by almost SEK 120 million during the year and amounted to SEK 70 million.

Svenska Kraftnät is still in a period of recruitment and 28 new full-time employees have been added since December 2010. Staff expenses consequently increased by SEK 29 million.

The higher rate of investment in the parent entity is affecting the depreciation of intangible and tangible assets for the Group. They increased by SEK 12 million.

The share of income in associated companies amounted to SEK 9 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 650 million, which is SEK 155 million lower than in 2010. The operating margin for the Group was 24.3%, which is 0.6 percentage points lower than last year.

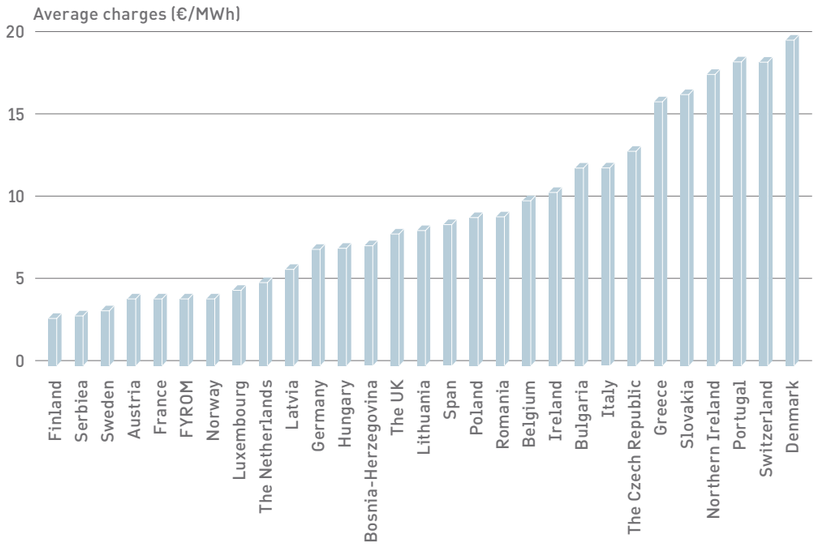
Net financial income/expense amounted to SEK -42 million, which is SEK 20 million less than last year. The principal explanation is the shares that were sold in the associated company Nord Pool ASA last year with a capital gain of SEK 34 million.

Consolidated net income was SEK 594 (773) million. The net profit margin with a deduction for standard tax amounted to 4.8%, which is a decrease of 0.6 percentage points compared with 2010.

The Group's return on adjusted equity amounted to 6.1 (8.4) percent, which is 0.1 percentage points above the profitability target of 6%.

FINANCING

The parent entity finances its operations with equity and loans in the National Debt Office. Borrowings at the end of 2011 were at SEK 2,131 (1,252) million and liquid funds amounted to SEK 700 (313) million. During 2011 Svenska Kraftnät had a variable loan parameter with the National Debt Office enabling Svenska Kraftnät to utilise up to SEK 5,000 million. From 1 January 2012 the amount has been in-



creased by SEK 1,000 million and now totals SEK 6,000 million.

A number of large investment projects such as Stockholm Ström, NordBalt and connection of new production to the national grid are co-financed in the form of investment grants. Co-financing amounted to SEK 719 million as per 31 December 2011.

According to the European Parliament and the Council's Ordinance no. 714/2009, capacity charges can be used for financing purposes in relation to counter trading or to finance investments. For 2011, SEK 685 million has been used as co-financing for investments that have been made.

The subsidiary SwePol Link AB has had a loan at Handelsbanken since February 2007. At year end borrowings amounted to SEK 637 (720) million. Svenska Kraftnät Gasturbiner AB's borrowings were SEK 132 million at year end. The financing takes place within the Group.

COST-EFFICIENCY

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

The benchmarking study that was conducted in 2009 together with the national grid companies Statnett SF and Fingrid Oyj has constituted the basis for in-depth analysis during the year. Statnett SF, Fingrid Oyj and Svenska Kraftnät have conducted activities within the project to compare working methods and have been able to derive benefit from each other's expe-riences within, for example, risk management, follow-up and evaluation of contractors and project implementation. A network of Nordic project managers was formed during the year with the aim of exchanging experiences.

Svenska Kraftnät's national grid tariff is low in international terms. ENTSO-E compiles the European national grid companies' tariffs on a yearly basis. The figure below derives from ENTSO-E 2010 and shows average charges in euros/MWh for a comparable customer.

03. BUSINESS SEGMENTS

GROUP LEVEL (MSEK)	OPERATING REVENUE		OPERATING INCOME		INVESTMENTS	
	2011	2010	**2011**	2010	**2011**	2010
Transmission on the national grid	**4,517**	4,224	**883**	710	**2,724**	1,239
System operator – electricity	**4,390**	5,928	**-287**	41	**16**	19
Telecommunications	**88**	72	**40**	27	**27**	12
System operator – natural gas	**41**	49	**3**	4	**-**	-
Chargeable activities	**10**	7	**2**	3	**4**	6
Associated companies	**-**	-	**9**	20	**-**	-
Contingency operations	**236**	267	**0**	0	**-**	-
TOTAL	**9,282**	10,547	**650**	805	**2,771**	1,276

PARENT ENTITY LEVEL (MSEK)	OPERATING REVENUE		OPERATING INCOME		INVESTMENTS	
	2011	2010	**2011**	2010	**2011**	2010
Transmission on the national grid	**4,239**	4,014	**788**	653	**2,691**	1,231
System operator – electricity	**4,391**	5,931	**-276**	48	**0**	6
Telecommunications	**88**	72	**40**	27	**27**	12
System operator – natural gas	**41**	49	**3**	4	**-**	-
Chargeable activities	**10**	7	**2**	3	**4**	6
Contingency operations	**236**	267	**0**	0	**-**	-
TOTAL	**9,005**	10,340	**557**	735	**2,722**	1,255

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

ELECTRICITY MARKET

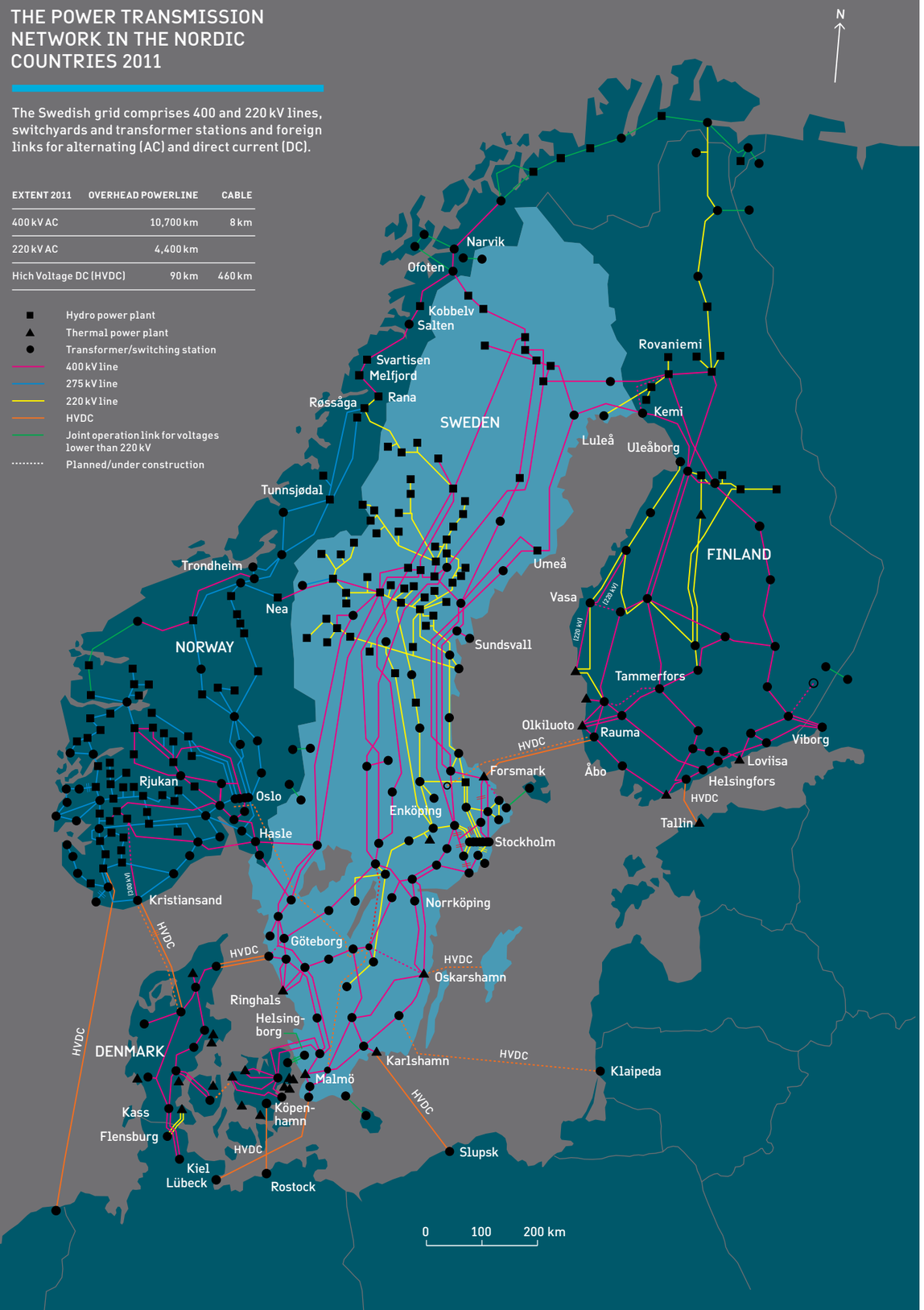
Within the Transmission of Electricity on the National Grid and System Operator for Electricity segments, Svenska Kraftnät works to ensure that transmission of electricity can be performed with a high level of reliability and availability. We also work to ensure that relevant measures are put in place so that Sweden has a satisfactory power supply and that the risk of peak power shortages can be reduced. When procuring the peak power reserve, the parent entity should also follow the guidelines that the previous Nordic cooperative organisation Nordel produced in the area.

Certain revenues and expenses are common for both the Transmission of Electricity on the National Grid and System Operator for Electricity business segments. It concerns revenues and expenses for primary regulation, system operation services and disturbance reserves. Primary regulation and system operation services are distributed among the different business segments, with 40% in the transmission of electricity on the national grid segment and 60% in system operation for electricity. For the disturbance reserve the expenses are divided equally between the respective business segments.

THE POWER TRANSMISSION NETWORK IN THE NORDIC COUNTRIES 2011

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

EXTENT 2011	OVERHEAD POWERLINE	CABLE
400 kV AC	10,700 km	8 km
220 kV AC	4,400 km	
Hich Voltage DC (HVDC)	90 km	460 km



The financial figures in the sections of text for the business segments refer to the Group unless indicated otherwise.

TRANSMISSION OF ELECTRICITY ON THE NATIONAL GRID

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

A point of connection tariff is applied on the national grid for physically connected customer facilities. The power charge covers costs for expansion, operation and maintenance of the transmission grid. It is based on annual capacity subscription for injection and outtake of electricity at each connection point. The power charge is geographically differentiated, in that the fees for injection are lowest in the south and then increase linearly with the latitude to reach their highest values in the north. The reverse applies for outtake of power.

NETWORK REVENUE GROUP (MSEK)	2011	2010
National grid fees		
Capacity charges	**1,971**	1,671
Usage fees	**1,757**	1,657
TOTAL	**3,728**	3,328
Capacity charges	**77**	495
Transit revenue	**209**	12
Transmission on SwePol Link	**337**	245
Other network revenue	**90**	85
TOTAL	**4,441**	4,165

The energy charge is based on the transmission losses in the transmission grid caused by injection and outtake of electricity in different connection points. Injection or outtake that entails reduced network losses are credited to the usage fee, what is known as energy compensation.

For 2011 the capacity charge was raised by 9% and the usage fee by 19%. The increases were implemented primarily in consideration of the estimated higher cost for primary regulation, counter trading, maintenance, depreciation and purchase of power losses. For 2012 the tariff's capacity charge will be raised by an average of 10% and the usage fee by 5% for bidding areas 1 and 2, and by 7% for the bidding areas 3 and 4.

Capacity charges and transit revenues comprise individual items in the network revenues. Capacity charges arise when the Nordic electricity market is divided up into different price areas. They are used for counter trading and 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.

The grid fees generated a total of SEK 3,728 (3,328) million. Of these, the capacity charges accounted for 53% and the usage fees for 47%.

In accordance with Ordinance (EU) no. 714/2009, from 1 January 2011 the part of the capacity charges that correspond to costs for counter trading are reported as an income in the income statement. The remaining parts are reported as liabilities in the balance sheet to be used for future investments that retain or expand the transmission capacity.

The capacity charges increased during the year and amounted to SEK 771 (495) million. The increase in capacity charges is principally due to the high levels in the storage reservoirs during the autumn, and the low availability of nuclear power at the time of the introduction of the four bidding areas in Sweden. This has periodically resulted in large price differences between the Nordic bidding areas.

In accordance with the regulations above, SEK 77 million has been used to cover costs for counter trading. The remaining SEK 685 million has been reclassified as a long-term liability in the balance sheet and used as investment grants for investments implemented during 2011.

Transit revenues increased substantially during 2011 and totalled SEK 209 (12) million. 2010 was a dry year with predominantly imports into Sweden, which had a negative effect on revenues. The situation was reversed in 2011. The levels in the reservoirs have been considerably higher, which has entailed increased transit through Sweden and increased revenues for Svenska Kraftnät.

TRANSMISSION ON THE NATIONAL GRID	2011	2010
Energy fed into the national grid, TWh	**113.5**	110.3
Energy extracted from the national grid, TWh	**110.8**	108
Max power outtake, MWh/h (hour with highest power extracted)	**18,484**	18,727

Energy extracted during the year was 110.8 (108.0) TWh. The increase is primarily explained by increased exports.

POWER SUBSCRIPTIONS FOR THE NATIONAL GRID	2011	2010
Input subscription, MW	**21,443**	21,302
Extract subscription, MW	**20,494**	20,561
Number of customers	**28**	24

Input subscriptions increased somewhat while extract subscriptions fell compared with 2010. The number of customers connected to the national grid increased somewhat, totalling 28 (24).

TRANSMISSION LOSSES ON THE NATIONAL GRID	2011	2010
Energy losses, TWh	**2.7**	2.4
Percentage of extracted energy, %	**2.4**	2.2
Maximum power losses, MWh/h (hour with highest energy losses)	**780**	758

Transmission losses on the national grid amounted to 2.7 (2.4) TWh, which was higher than last year. The increase can be explained by the fact that 2011 was a wet year with a high level of hydro power production in the north of Sweden and in Norway. This has resulted in increased transmission from north to south, as well as increased transit through Sweden, which has led to higher transmission losses.

TRANSMISSION OF ELECTRICITY ON THE NATIONAL GRID (MSEK)	2011	2010
Operating revenue	**4,517**	4,224
Operating expenses	**-3,634**	-3,514
OPERATING INCOME	**883**	710

Operating income for transmission on the national grid was SEK 883 (710) million.

Operating revenue increased by SEK 293 million compared with last year. The increased operating revenue can be principally explained by a higher national grid tariff and increased transit revenues, which amounted to SEK 3,728 (3,328) million and

SEK 209 (12) million respectively during 2011. At the same time, from this year the part of the capacity charges that are reported as income in the income statement fell from SEK 495 million to SEK 77 million.

Operating expenses increased by SEK 120 million compared with 2010, which is chiefly due to costs for primary regulation increasing by SEK 81 million to SEK 262 million, and also due to maintenance costs increasing by SEK 27 million and staff expenses by some SEK 30 million during 2011.

The operating margin for the business segment amounted to 19.6 %, which is 2.8 percentage points higher than the equivalent period in 2010.

Svenska Kraftnät's principal goal is a high level of reliability in the Network operation. Reliability has been good during 2011. There were 192 (224) disturbances in the grid, most of which were dealt with by the automatic technical systems without having any impact on the supply of power. 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 (ENS). The increase in ENS during 2011 should be viewed against the background of ENS being at a very low level in recent years. The total volume of ENS is still small.

Nine disturbances led to power failures for subscribers. The volume of energy that was not supplied amounted to 42 (5) MWh. The number of disturbances in the national grid over a five year period is set out below.

SYSTEM OPERATOR FOR ELECTRICITY

The Government has appointed Svenska Kraftnät as the system operator for electricity. Being the system operator for electricity entails having the overall responsibility for Sweden's electricity supply so the electrical plants work in conjunction so that the system is functioning reliably and the short-term balance is maintained between production and consumption.

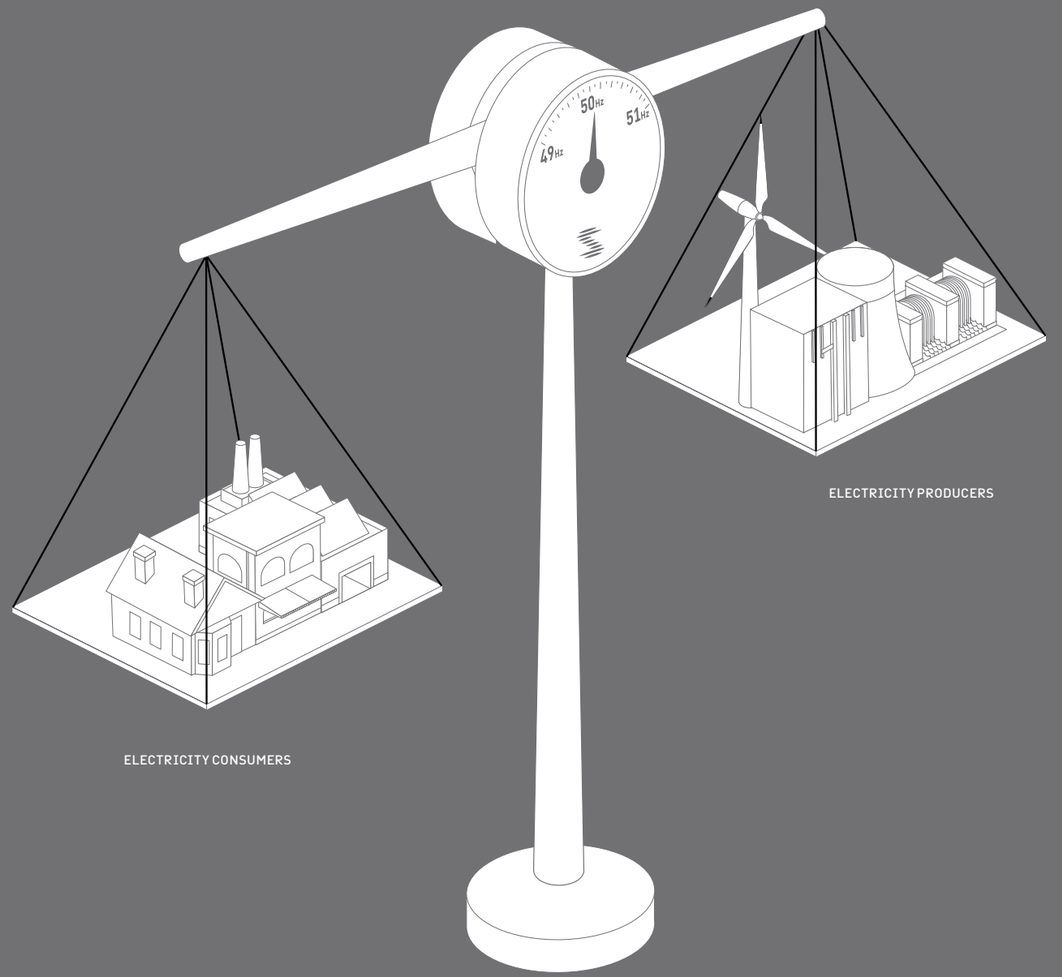
DISTURBANCES	2011	2010	2009	2008	2007
Disturbances on the grid, no.	**192**	224	153	157	150
Ditto with power failure, no.	**9**	10	16	9	5
Energy not supplied (ENS), MWh	**42**	5	5	3	13
Power not supplied (PNS), MWh	**235**	43	37	58	37

» DEVELOPMENT, RESPONSIBILITY, EFFICIENCY AND CLARITY «

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.



Svenska Kraftnät also acts to ensure that relevant measures are put in place so that Sweden has a satisfactory power supply and that the risk of peak power shortages can be reduced. The targets that the utility sets for reliability are approved by the Government.

Compliance with the targets for reliability requires that voltage, frequency and flow of power are within set limits. Furthermore, there must be sufficient production reserves in the system. A key figure has been set within the System Operator for Electricity business segment that measures frequency quality. The aim is for the frequency to not go outside 49.90–50.10 Hz range for more than 6,000 minutes/year. During 2011 the frequency was outside this range for 12,756 minutes.

Svenska Kraftnät can order the electricity producers, in return for commercial remuneration, to increase or decrease production of electricity and order the network owners to restrict the use of electricity.

BALANCE REGULATION

Svenska Kraftnät's revenues and expenses for acting as system operator are linked to the balance regulation that Svenska Kraftnät implements to ensure the physical balance between electricity that is fed in and withdrawn.

According to the Electricity Act, an electricity trading company (in its role as electricity supplier) is obliged to supply as much electricity as consumed by those electricity users that constitute its customers. In order to comply with this obligation, the electricity trading company must have a party to take balance responsibility for the electricity supplies. The electricity trading company can either take responsibility itself and conclude a contract for balance responsibility with Svenska Kraftnät, or engage a company that already has such a contract.

The basis for balance regulation is the approximately 30 balance providers that have signed agreements with Svenska Kraftnät regarding balance responsibility. The companies have undertaken to plan their input of electricity (generation and purchase) and their extraction (consumption and sale) in balance for each hour. Svenska Kraftnät then conducts a balance settlement, a financial settlement of the imbalances that are shown 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 for electricity that is bought or sold is calculated as the particular hour's spot price on the electricity exchange, with an addition for costs that Svenska Kraftnät has incurred in starting or stopping production.

The automatic reserves that are used for primary regulation are chiefly located at producers with hydro-electric power production and are procured on a 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 and consumers 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.

PEAK-POWER RESERVE

According to the Ordinance, Svenska Kraftnät is responsible that a peak-power reserve of a maximum of 1,750 MW is available during the period from mid-November 2011 to mid-March 2012. To maintain the peak-power reserve Svenska Kraftnät enters into agreements with electricity producers to place additional production capacity at its disposal. Agreements are also concluded on reductions in consumption with electricity consumers and electricity suppliers. During 2011 a total of 1,726 (1,892) MW was procured, of which 1,364 (1,309) MW constitutes production and 362 (583) MW reduction in consumption. The reserve contributes to managing electricity supply even during extreme situations that can arise in extremely cold weather conditions. The power reserve is financed by a special fee that is paid by the balance providers with no geographic differentiation.

One change from the start of 2011 is that the plant owner can submit bids to the electricity spot market with regard to reductions in consumption. If the resource is not activated on the electricity spot market it remains on the market for regulating power. As the resources are available as bids on the electricity spot market, they are part of price setting. As previously, production resources are activated within the power reserves on the electricity spot- or regulating power markets by Svenska Kraftnät.

THE PEAK POWER SITUATION

During the winter 2010/2011 the peak power situation was less strained than the preceding

winter, thanks to better availability of nuclear power. It was not necessary to activate the peak power reserve to enable the supply and demand equilibrium point to be reached on Nord Pool Spot AS. On the other hand, the reserve was activated on ten or so occasions for network reasons.

Levels in the Nordic storage reservoirs were very low at the start of 2011 as a consequence of previous dry years and the low availability of nuclear power. However, the early spring flood remedied the extremely serious situation that prevailed at the start of April.

Rain during the summer, and above all during the autumn, refilled the reservoirs to levels in excess of normal. At the end of 2011 levels are estimated at 76% for Sweden and the Nordic region as a whole. For Sweden this is about 10% higher than the average value, and 30% higher than at the turn of the previous year.

Availability of nuclear power was also low during the autumn, which meant that in some weeks Sweden was dependent on imports during the high load hours. Achieving a power balance required the oil-fired condensing power plant in Karlshamn to be activated. One reactor in Stenungsund was also kept on standby in order to tackle the strained situation in the west of Sweden.

INTRODUCTION OF BIDDING AREAS

The Swedish electricity market was divided into four bidding areas on 1 November. The decision to introduce bidding areas is part of the EU's endeavour to create a common European electricity market. The boundaries between the bidding areas are where there are limitations in the transmission of the national grid for electricity, what are known as constraints or »bottlenecks« in Sweden. In northern Sweden there is a surplus of electricity generation compared with demand for electricity. The reverse is the case in southern Sweden.

The division into bidding areas was preceded by a close collaboration with Nord Pool Spot AS and stakeholders in the electricity market to prepare the technical reporting.

During the period 5–15 November all of Ringhals' reactors were offline, resulting in reduced transmission capacity between the bidding areas SE2, SE3 and SE4, as well as in relation to NO1 and DK1. The availability and production in the nuclear power plants is important in terms of maintaining the correct voltage in the power system, which in turn affects the transmission capacity.

The relatively low transmission capacities between different bidding areas in November resulted in higher electricity prices in SE3 and SE4 compared with SE1 and SE2. During the period the bidding areas SE4 in DK2 had the highest prices. However, a comparison of Swedish electricity prices during the corresponding period of 2010 shows that electricity prices during 2011 were generally considerably lower than in 2010. This can be explained by last year's substantially lower temperatures and the low levels in the storage reservoirs.

In line with the restart of the nuclear power reactors in Ringhals and the commissioning of Fenno-Skan 2, the price differentials between the different bidding areas in Sweden were substantially reduced. This becomes clear in a comparison of the price difference between SE3 and SE4, which was 5.8 öre per kWh during November and was reduced to 1.2 öre per kWh during December.

On average the discrepancy between SE3 and SE4 has amounted to four öre per kWh, while the discrepancy between bidding areas 1 and 4 has amounted to just over five öre per kWh during the first two months after bidding areas were introduced. The development clearly shows how the electricity price is affected by supply and demand, as well as the significance of transmission capacity in reducing price differences between different parts of the country.

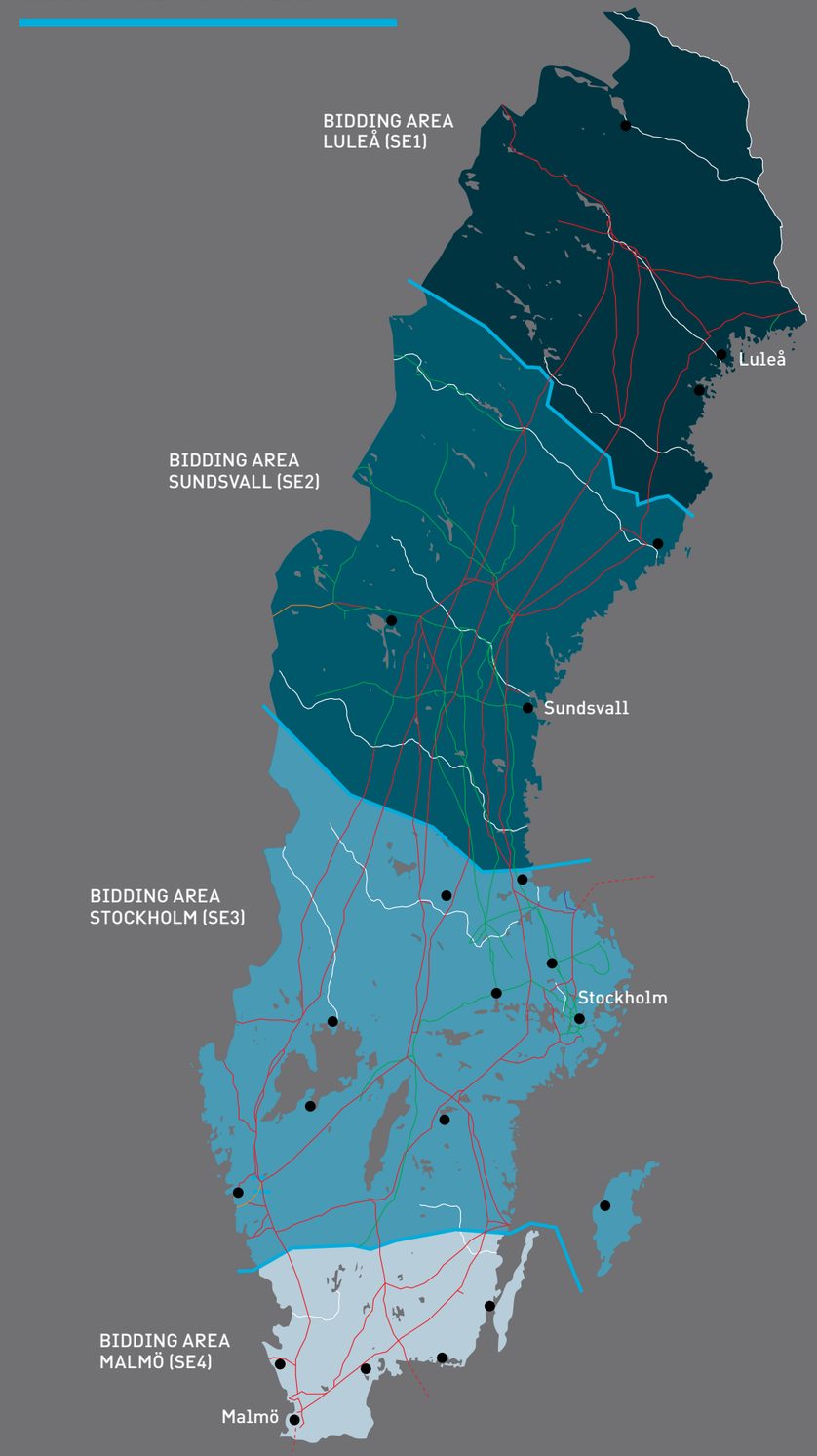
BALANCE POWER BETWEEN AREAS

The difference between planned trading flow and physical flow between bidding areas constitutes balance power. Balance power that flows between bidding areas is priced at the average net regulating price in each area. If balance power flows from a high price area to a low price area, the pricing means that the system operators concerned make a loss in relation to purchased/sold balance power/regulation power in the respective area. Correspondingly, the system operators concerned make a profit when the balance power flows from a low price area to a high price area. In foreign links the risks are shared between Svenska Kraftnät and the foreign system operators. From 1 November 2011, after the introduction of bidding areas, this type of balance power will also occur within Sweden between respective electricity areas. Here, Svenska Kraftnät will bear the entire risk.

FINANCIAL OUTCOME

The financial results for the System Operator for Electricity business segment were as follows.

BIDDING AREAS IN SWEDEN



SYSTEM OPERATOR FOR ELECTRICITY (MSEK)	2011	2010
Operating revenue	**4,390**	5,928
Operating expenses	**-4,677**	-5,887
OPERATING INCOME	**-287**	41

Operating revenue in the group decreased by SEK 1,538 million or about 26% compared with 2010 and amounted to SEK 4,390 (5,928) million.

Operating income amounted to SEK -287 (41) million. The operating margin was -6.5 %, which is a deterioration of 7.2 percentage points compared with last year. Revenues for balance power decreased by SEK 1,538 compared with last year. Both revenues and expenses are governed by the market price for electricity and volumes of balance power in each bidding area. The reduced levels of revenues and expenses during 2011 are due to lower average electricity prices during the year.

The business segment's operating income has decreased primarily due to increased expenses for primary regulation and expenses for balance power between areas. The cost for primary regulation increased during the year by SEK 118 million compared with last year.

The costs increased substantially during the first part of 2011, due to the strained situation of low reservoir levels throughout the Nordic region. When very little hydroelectric power is available the production costs for primary regulation increase. Costs also increased compared with previous years due to the increased occurrence of what are known as block bids, bids that apply for more than an hour in succession. Block bids mean that on some occasions Svenska Kraftnät has been compelled to buy up larger quantities than desired in order to meet the requirement for primary regulation. The cost for flowing balance power is estimated to have increased by almost SEK 62 million during the same period, SEK 20 million of which is within Sweden. During the first quarter an incorrect allocation to a particular period was discovered in the settlement system. An amount of SEK 51 million was incorrectly recorded as revenue in the annual accounts for 2010. New procedures have been put in place to ensure that a similar error cannot occur again.

Revenues from the companies with balance responsibility for the state peak power reserve amounted to SEK 95 (79) million. These revenues are accounted during the winter months, from mid-November to mid-March. The costs for the power reserve are accounted during the corresponding period and amounted to SEK 102 (76) million.

Investments within System Responsibility for Electricity amounted to SEK 16 (19)million.

TELECOMMUNICATIONS

Svenska Kraftnät's objective within the telecommunications segment is to operate a cost-effective, electronic communications network for tele- and data communication with a high level of security. The tele- and data communication network shall be used for monitoring of and communication in the domestic national grid for electricity.

Svenska Kraftnät decided to construct its own fibre-optic network in the 1990s in order to meet the requirements for monitoring of and communication in the national grid.

The telecommunications network constitutes an important prerequisite in maintaining a high level of reliability in the national grid, which is particularly important in the rebuilding phase after a potential disturbance. The telecommunications network is constructed with triple redundancy on several important sections of powerline. To ensure operation in the event of a power failure, there is also a back-up system in the form of uninterruptable power supply.

The telecommunications network consists of fibre optic cable that is chiefly installed in the power lines' earth wires. The network currently consists of approximately 7,500 kilometres of its own fibre optic lines and around 2,500 kilometres of fibre-optic cables that Svenska Kraftnät leases from other network owners. During 2011 Svenska Kraftnät extended the telecommunications network with 250 km of fibre-optic cables.

Maintenance of the fibre optic network is contracted out and is a part of Svenska Kraftnät's central maintenance procurement which is coordinated with the operation of other telephony-related services. Internal operation and monitoring, as well as the emergency preparedness function are coordinated with other monitoring and contingency planning for IT functions. This enables cost-effective operation to be maintained and activities to be conducted at a very low cost.

In many sections the telecommunications network and the amount of fibre-optic cables that have been installed provide greater capacity than Svenska Kraftnät normally needs for its own operations. Svenska Kraftnät is consequently able to lease communications capacity to external customers. Svenska Kraftnät

THE FIBRE OPTIC NETWORK IN SWEDEN 2011

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

leases out so-called black fibre (optical fibre without active terminus equipment) to a number of large telecom operators, as well as other organisations. Furthermore, active connections are leased out in the form of capacity to energy companies for their operations communication.

During the next five years Svenska Kraftnät is planning to install around 1,500 km of fibre optic cable in order to follow the substantial rate of investment in the national grid. The expansion of the fibre optic network is being undertaken in connection with new construction and long-term maintenance of the national grid. As far as possible Svenska Kraftnät is endeavouring to prepare interconnection with the local fibre optic networks alongside the new optic lines.

After the major disturbances in Svenska Kraftnät's telecommunication traffic in Norrland during winter 2009/2010, Svenska Kraftnät undertook extensive repairs during summer 2010. During the following winter the fibre optic network functioned without problem. The repair work also continued during 2011.

Availability in the Operational Telecom Network is important within the operation and during 2011 has been monitored quarterly. The target has been an availability in the Operational Telecom Network of at least 99.95% for double connection. The outcome throughout the year has been 99.88%.

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 Transmission of electricity on the national grid business segment.

The revenue earned on commercial telecom operations amounted to 63 (59) million and the operating income was SEK 41 (32) million. With a calculated interest of 7 % on employed capital, the operating profit for the financial year was SEK 34 (25) million. Within the Telecommunications segment, Svenska Kraftnät has additional external revenues amounting to SEK 25 (13) million from leasing of data networks, telephone networks and antenna locations on masts and pylons.

Total revenue for the segment was SEK 143 (126) million. Included in this is SEK 55 (54) million in internal revenues from the Network business segment. Operating income amounted to SEK 40 (27) million. Investments in the telecommunications operation amounted to SEK 27 (12) million.

TELECOMMUNICATIONS (MSEK)	2011	2010
OPERATING REVENUE		
External	**88**	72
Internal	**55**	54
TOTAL	**143**	126
OPERATING EXPENSES		
External	**-52**	-50
Internal	**-51**	-49
TOTAL	**-103**	-99
OPERATING INCOME		
External	**36**	22
Internal	**4**	5
OPERATING INCOME	**40**	27

SYSTEM OPERATOR FOR NATURAL GAS

In its role as system operator, Svenska Kraftnät has the 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 balance agreement between Svenska Kraftnät and the balance providers regulates, among other things, the balance settlement for the imbalances that arise between the gas that the balance provider has supplied to the national natural gas system and the gas that has been withdrawn during a gas day (from 06.00 to 06.00 on the next day). Balance settlement takes place according to set regulations to maintain competition in the natural gas market.

The Swedish natural gas system connects to the Danish natural gas system in Dragør south of Copenhagen. Svenska Kraftnät works in conjunction with its counterparts in adjoining networks, Energinet.dk, the transmission network owner and system operator in the Danish natural gas market.

Svenska Kraftnät participates in a joint European initiative GRI NW (Gas Regional Initiative, North West) led by the European regulatory authorities to enhance competition in the European natural gas market. Svenska Kraftnät is a member of the European cooperative organisation for gas operators, ENTSO-G.

When in operation, the pressure in the natural gas system must remain within the range 46–68 bar, a measure that is monitored every month. During 2011 the pressure was outside the given limits for 19 days, all of which were during the first quarter. The low pressure is partly due to increased intake of German gas to Denmark, which requires a lower pressure in the Danish system, but also to a low withdrawal from the Danish stocks in Stenlille. A number of the occasions when there was low pressure can be linked to disruptions (unplanned stops) in natural gas supplies from the North Sea.

THE NATURAL GAS NETWORK IN SWEDEN (HIGH PRESSURE PIPELINES)

NATURAL GAS (MSEK)	2011	2010
Operating revenue	**41**	49
Operating expenses	**-38**	-45
OPERATING INCOME	**3**	4

During 2011 withdrawals, and thus revenues, have fallen, but costs have also decreased. The energy consumption charge that Svenska Kraftnät levies from the balance providers decreased at the end of 2011. Operating revenue for 2011 was SEK 41 (49) million. Expenses for the business segment amounted to SEK 38 (45) million. Operating income fell to SEK 3 (4) million.

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 from the Government 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.

Svenska Kraftnät issued 19.7 (17.5) million electricity certificates during 2011. Some 36 million electricity certificates were issued at an average price of about SEK 247 per certificate. Some 121 million certificates have been issued since the introduction of the system.

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 19.9% in 2010 to 30.8% in 2011. Electricity generated from biofuels has accounted for 55.5% of production entitled to certification and hydro power for 13.7%.

On 30 November 2011 the Swedish Parliament ratified the Government's proposed new Electricity Certificates Act. It entails a common electricity certificates market with Norway from 1 January 2012. For actors currently active in the electricity certificates market this will mean that there are more buyers and sellers of electricity certificates. Svenska Kraftnät's role is unchanged.

Svenska Kraftnät's task has been to make the necessary preparations to enable this common electricity certificates market to be established at the turn of the year. During 2011 Svenska Kraftnät, in conjunction with Statnett SF, established a technical solution to link together the Swedish and Norwegian electricity certificate registers. Svenska Kraftnät's electricity certificate register will be upgraded during 2012 to offer a higher level of service to operators.

SECURITY OF SUPPLY FEE
A new supply ordinance for natural gas came into effect in December 2010. It places higher requirements on security of supply than previous regulations. In order to be able to implement the new ordinance rapidly and effectively, Svenska Kraftnät has financed four different projects run by the industry association Energigas Sweden. The projects involve the role of natural gas storage facilities and biogas for increased security of supply, emergency supplies of LNG, and strategies to disconnect customers and create a power reserve.

GUARANTEES OF ORIGIN
A new Act on Guarantees of Origin came into effect on 1 December 2010. The new Act means that all electricity generated can obtain guarantees of origin, an electronic document that guarantees the electricity's origin. Guarantees of origin can be issued, transferred and cancelled. Here too 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.

Svenska Kraftnät issued 49.7 million guarantees of origin during 2011. Approximately 18.7 million guarantees of origin were transferred during the year, and 2.7 were cancelled to the benefit of electricity supplies. 0.5 million have been cancelled automatically as their validity period expired, i.e. twelve months have passed since the start of the generation period.

Producers are not obliged to apply to have guarantees of origin issued for their production. 67% of all plants that are approved for electricity certificates have applied for and received guarantees of origin.

The Energy Market Inspectorate's instructions on labelling the origin of electricity come into force on 1 January 2012. The instructions mean that electricity supplies within Sweden must have their origin labelled. Labelling origin means that information on the electricity's origin is either specified by means of guarantees of origin, residual mix or a combination of them. It is likely that interest in guarantees of origin will increase.

Total operating revenues for the Chargeable Activities business segment amounted to SEK 10 (7) million. Operating expenses were SEK 8 (4) million and operating income SEK 2 (3) million.

CHARGEABLE ACTIVITIES (MSEK)	2011	2010
OPERATING INCOME RENEWABLE ELECTRICITY CERTIFICATES		
Account fee	8	6
Administrative fee	0	0
OPERATING INCOME GUARANTEES OF ORIGIN		
Account fee	0	-
OPERATING INCOME SECURITY OF SUPPLY FEE	2	1
TOTAL OPERATING REVENUE	10	7
Operating expenses electricity certificates	-5	-4
Operating expenses security of supply fee	-3	0
Operating Expenses Guarantees of Origin	0	-
TOTAL OPERATING EXPENSES	-8	-4
OPERATING INCOME	2	3

ELECTRICITY CONTINGENCY PLANNING AND SECURITY

Svenska Kraftnät acts to reduce the risks of serious disruption to society through minimising the risk of extensive disturbances within the supply of electricity and natural gas, and as a result of dam failure or high rivers. 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, Svenska Kraftnät acts to maintain a state of readiness for fast and effective command- and information initiatives in the event of damage to dams or serious disruption to the electricity supply in peace time. There is also a goal concerning participation in the collaboration within the framework of Nato/Partnership for Peace (PFF).

THREATS AND RISKS
Svenska Kraftnät submitted a risk and vulnerability analysis together with a capacity assessment for electricity supply to the Government and the Swedish Civil Contingencies Agency (MSB) in November 2011. The analysis was performed by Svenska Kraftnät together with network owners, producers and electricity traders.

During 2011 Svenska Kraftnät has also further developed its crisis management organisation and adopted a specific guideline for the utility's crisis management.

ELECTRICITY CONTINGENCY FUNDS
Svenska Kraftnät distributes funds for measures implemented in accordance with the Power Contingency Act. These are financed through the fee that network concession holders pay according to the Electricity Act. For 2011 Svenska Kraftnät utilised SEK 250 million for power contingency measures.

During the year funds have been used for gas turbines, strategic repair materials and equipment (emergency pylons, tracked vehicles and standby power units) for increased viability in stations and other facilities, as well as reinforced physical protection in six plants.

Measures have been implemented to ensure communication with important facilities, but also for operation and maintenance of the reporting tool, Susie. Island operation capacity has been strengthened through updating communication plans, refresher courses and »black-start« tests. The crisis management capacity has also been reinforced through training and exercises with personnel from voluntary defence organisations.

The utility has used electricity contingency funds to implement training courses and exercises for operational staff who work at large and medium-sized electricity network companies. The courses have been run using the Aristo power system simulator. During 2011 the public utility concluded a project to establish Aristo at the regional network companies E.ON, Fortum and Vattenfall AB. The aim of the establishment was to make provision for and coordinate joint operational exercises, as well as to enable the regional network companies themselves to provide training and exercises for their own staff. The establishment was verified with a cooperation exercise and the entire project was paid for with contingency funds.

A new mobile switching station »Skalman« has been procured.

The Svenska Kraftnät public utility participated in the SAMÖ/KKÖ, Barents Rescue and Telö11 exercises. In addition, Svenska Kraftnät held an exercise together with the natural gas industry in January 2011 focussing on crisis management. It was the first joint exercise since the early 1990s, and was implemented with some 60 persons from the industry, as well as representatives from county administrative boards and Energinet.dk.

During the year, Svenska Kraftnät has trained about 320 people in crisis management through Swedenergy, and has also trained crisis management organisations within twelve electricity companies.

RESEARCH AND COOPERATION
During 2011 Svenska Kraftnät has conducted a research project concerning protection against attacks from weapons that emit electromagnetic pulses (EMP). The purpose of the project is to develop methods to enable the industry to methodically evaluate electric power installations from a safety perspective in relation to EMP.

Svenska Kraftnät has been involved in work within the Technical Infrastructure cooperation area, as an expert in work on civil emergency preparedness within Nato (EAPR/PFF), Nordic contingency planning and security collaboration (NordBER), as well as in the European Infrastructure Security Network (EISN). In addition, the public utility has conducted exercises with all cooperation structures and electricity network companies in the country. All in all it involves about 150 people.

RAKEL
As a part of its commission in the 2011 letter of governance, Svenska Kraftnät has incorporated Rakel in the organisation. Operational management centres, as well as the repair- and crisis management organisation, have been equipped and trained. In addition, contingency funds have been used to equip and train the staff included in the seven cooperation structures. Grants for acquisition of Rakel equipment in facilities that are important for electricity contingency planning, have been paid to E.ON, Fortum, Vattenfall AB and Göteborgs Energi.

STYREL
Svenska Kraftnät has been commissioned by the Government to prepare implementation of the Styrel system, Prioritisation of electricity consumers in the event of power shortages. A proposal was produced during the year regarding an alteration to our regulations and general advice on equipment for disconnection (SvKFS 2001:1). The regulations will cover preparation for, and implementation of disconnection.

DAM SAFETY
Svenska Kraftnät promotes dam safety in the country and acts to reduce the risks of severe pressures on society through dam failure or high rivers. The task of monitoring and participating in the development of dam safety in the

country includes responsibility for supervision in relation 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.

SUPERVISION
In line with the letter of governance, Svenska Kraftnät has produced a plan for further development of supervision, and has surveyed which dam facilities would cause particularly major consequences in the event of dam failure. In dialogue with dam owners and authorities, development of procedures has commenced to bolster supervision and guidance for this category of dam. Svenska Kraftnät has also arranged seminars on self regulation and supervision of dam safety for county administrative board staff, put together a national compilation of dam owners' annual reports with respect to dam safety, and monitored the county administrative boards' methods and resources for supervision of dam safety.

CLIMATE CHANGE AND DAM SAFETY
During 2008–2011 Svenska Kraftnät has analysed and evaluated the importance of the climate issue for dam safety. The work on the government's climate change commission has been conducted in collaboration with the power industry, the mining industry and SMHI (the Swedish Meteorological and Hydrological Institute) within the Committee for design floods for dams in a changing climate. The committee's work was completed during the year and included preparing methodology and guidance for consideration of climate change in determining flows for dams and a national survey of dams' vulnerability to climate change.

CONTINGENCY PLANNING FOR DAM FAILURE
Svenska Kraftnät has been supporting the development of coordinated contingency planning for dam failure in the large regulated rivers since 2005. Production of flooding maps commenced during 2011 for the Klarälven River and was completed for Dalälven River. Work on coordinated contingency planning for dam failure is currently in progress for eight rivers.

KNOWLEDGE DEVELOPMENT AND SKILLS PROVISION
During 2011 Svenska Kraftnät supported and participated in ten or so research and development projects within the area of dam safety, including with regard to warning the public in the event of dam failure, dealing with flotsam and uncertainties in flow dimensioning. Since 2005 Svenska Kraftnät has been supporting the Swedish Hydro Power Centre, a centre for university education and research with the aim, among others, of securing long-term skills provision within the area of dam safety.

04. OTHER IMPORTANT AREAS

ENVIRONMENTAL WORK

According to its instruction, Svenska Kraftnät shall administer, operate and develop an environmentally compatible power transmission system. Our operations inevitably entail a certain environmental impact; however, the objective is that it should be as small as possible.

ENVIRONMENTAL MANAGEMENT WORK CONCERNS THE WHOLE OPERATION
The Ordinance (2009:907) on Environmental Management in Government Agencies requires the utility to integrate environmental considerations into its operations and conduct systematic environmental work. This year's objective to certificate Svenska Kraftnät's environmental management system according to the ISO 14001 standard has been achieved. The task of improving procedures and working practices has been implemented with a major commitment from both managers and staff. Almost 90% of the staff has received training in the environmental management system. An equally large proportion of the staff has completed basic training in environmental science during the last five years.

We have also been engaged with a large number of goals and activities linked to the significant environmental aspects. These aspects are energy losses, energy consumption, emissions of greenhouse gases and dealing with hazardous substances such as heavy metals and creosote. One positive environmental aspect of the investments in the national grid is that they increase the transmission capacity, which means that environmentally-friendly electricity can replace fossil-fired generation. The investments also facilitate expansion of renewable energy and reduce the total losses. Another positive environmental aspect in Svenska Kraftnät's operation is that many power line corridors are home to a rich plant and animal life.

Svenska Kraftnät presents an account of its environmental management work to the Ministry of Industry, Employment and Communications and the National Environmental Protection Agency in February every year. Similarly, energy efficiency measures are reported to the Energy Agency according to the Ordinance (2009:893) on Energy Efficiency Measures for Agencies.

ACTIVITIES TO ENSURE REDUCED ENVIRONMENTAL IMPACT
The following describes some of the environmental measures that have been implemented during the year.

A tool to evaluate the environmental impact of investments proposed in network inquiries has been developed in a master degree project. The tool applies a life-cycle perspective to electricity networks and evaluates both the local and global environmental impact. The environmental cost of the proposed investment is obtained after a monetary appraisal of all environmental impacts.

The environmental measures plan is another tool that has been developed in order to ensure that environmental considerations are included at all times from study to execution. The environmental measures plan makes concrete the precautionary and protective measures that have been set out in the description of environment consequences. Each location that requires specific consideration is marked in the plan and the contractor describes which measures it intends to take.

A number of activities have been implemented during the year within the operational sector with the aim of minimising the environmental impact caused by operation of the national grid. Procedures for estimating increased losses in connection with failures have been improved, as have procedures for decisions on and follow-up of starting gas turbines. A tool to

reduce operational losses has been evaluated. The work on voltage (AMS) that has been tested to avoid failures also entails avoiding increased losses, which is beneficial for both the environment and the economy.

Svenska Kraftnät participates in a working group within Cigré with the aim of drawing up guidelines for transmission companies' reporting of greenhouse gases. The commission includes looking at current methods and guidelines, for example, the Greenhouse Gas Protocol Initiative, an established method for reporting climate impact. Svenska Kraftnät's systematic work to limit emissions of the greenhouse gas sulphur hexafluoride has resulted in very small emissions this year as well, only 0.2% of the quantity installed.

We have started a project with the aim of making our stations more energy efficient. A plan of action for existing stations will be drawn up and requirements on energy efficiency in new stations will be incorporated in the technical guidelines. A survey of energy consumption in some typical stations has been commenced during 2011.

ENVIRONMENTAL REQUIREMENTS IN CONTRACTS

Svenska Kraftnät has been setting environmental requirements in all contracts for some time. However, environmental issues are of a different character in the projects. In construction of a new switch yard south of Hallsberg, the contractor has worked consciously to minimise transportation and thus also carbon dioxide emissions. Existing material has been reused to the greatest possible extent. A minimum of material has been driven to the site and no material has been removed for dumping.

The reconstruction of the 400 kV Stackbo – Hamra power line in Uppsala and Gävleborg County has required particular consideration and caution in executing the work, as the power line extends through Natura 2000 areas with plant and butterfly species that are worth protecting. There is also a section through a conservation area in the Nacka – Gustavsberg cable project. It has been planned in detail in dialogue with the local authority and machines of restricted size have been used in excavation work to avoid damage to the natural environment.

Large amounts of contaminated material have been found when laying cable on the Värtan –Koltorp section. Environmental management of the project has therefore principally entailed dealing with this material in an environmentally correct manner.

We use audits as a tool to check that the environmental requirements are being met and to develop our own and the contractors' environmental work. During the year three environmental audits have been conducted in construction contracts and three within the maintenance operation.

BIOLOGICAL DIVERSITY IN POWERLINE CORRIDORS

During the summer an inventory was taken of some of the national grid's power line corridors with the aim of surveying areas rich in species. We have now completed 50% of the power line corridors that are judged to have a rich biological diversity. We adapt the maintenance in species rich environments in order to preserve the abundance of species. The Swedish Biodiversity Centre (CBM) has conducted studies of plants, butterflies and birds in power line corridors. The results show that power line corridors are important environments for the survival of many different species. This applies in particular to butterflies.

GREEN IT

Svenska Kraftnät works with what is known as »Green IT«. A gradual virtualisation of the IT environment is taking place, which entails considerably less physical computers and thereby lower energy consumption. During the year improved energy saving functions have also been introduced for our personal computers. The »GoITloop« service is used for purchase and scrapping of IT equipment with the aim of environmentally-friendly management and recycling of IT equipment. New video conferencing equipment has been procured for all offices, which improves the prospects for travel-free meetings.

RESEARCH AND DEVELOPMENT OPERATIONS

Svenska Kraftnät contributes to and supports 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. Svenska Kraftnät often undertakes research and development in collaboration with companies in the industry via the jointly owned Elforsk AB.

Svenska Kraftnät is also joint owner of the development company STRI AB in Ludvika. Other co-owners are ABB, Statnett SF and Vattenfall AB. Research and development projects are often carried out in collaboration with the co-owners. In addition a number of joint projects are underway with the Nordic national grid companies. European research issues have increased in scope during 2011.

Kraftnät used SEK 25 (21) million for research and development during 2011.

Below are descriptions of some of the projects that have been conducted during the year and which make a long-term contribution to improving reliability, availability and effective expansion of the grid.

> A prototype has been built to test a measuring method for non-contact temperature monitoring of isolating switches. A pilot installation was made during 2011
> Further development of power system models for Svenska Kraftnät's power system simulator, Aristo. The power system 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 bolstering expertise. Aristo is available at Chalmers, KTH and Lund University's Faculty of Engineering.
> In conjunction with consultants and universities, Svenska Kraftnät is developing knowledge concerning VSC technology (Voltage Source Converter) for transmission of power on land and at sea.
> A Nordic network has been set up for research into Phasor Measurement Units (PMUs). 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.
> »SCADA security« is an initiative within information- and operating systems, established during 2010. A collaboration between KTH, FOI and Svenska Kraftnät in which we are financing research at KTH.
> New technologies for better assessment of status and risk of disruption due to tall trees in power line 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 is to introduce the option that is most appropriate for our maintenance operation. The work of evaluation started during 2011 and will continue during 2012.
> A decision has been taken to extend support for the universities' Elektra research programme and for Vindforsk up to and including 2012.
> As an element in initiatives within »smart grids«, Svenska Kraftnät is participating in an Elforsk project in the field. We are also involved in ISGAN (International Smart Grid Action Network).
> Svenska Kraftnät supports the development of knowledge and expertise within dam safety, partly through R&D projects and partly through support of the Swedish Hydro Power Centre, SVC, a centre for support of university education and research within hydroelectric power and mine dams. The activity is divided into two areas of expertise, »hydraulic engineering« and »water turbines and generators«. We support both areas.

INTERNATIONAL COOPERATION

Svenska Kraftnät is engaged in providing 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 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 third internal market package entered into force on 3 March 2011. For Svenska Kraftnät's part the work is chiefly pursued within ENTSO-E[1], the cooperative body 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[2] and proposals for binding rules (so-called network

[1] ENTSO-E (European Network of Transmission System Operators – Electricity)
[2] Ten Year Network Development Plan (TYNDP)

codes) 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. During 2011 work has been carried out to draw up the network development plan that is to be published in June 2012.

The work of producing proposals for the binding rules has commenced within the areas of »technical requirements on generators«, »connection of consumption and regional networks«, »reliability« and »capacity allocation and congestion management«. It is important for Svenska Kraftnät to be able to have an influence and ensure that the rules that are drawn up harmonise with the Swedish ones.

THE EU'S ENERGY INFRASTRUCTURE PACKAGE

In October 2011 the EU Commission adopted a proposed ordinance on guidelines for a trans-European energy infrastructure. The aim of the proposal is to promote cross-border projects of mutual interest. The background is the assessment that major energy infrastructure investments are needed by 2020 in order to meet the EU's climate and energy targets.

The lengthy and inefficient permit processes, along with the limited opportunities for financing of projects, are given as the major obstacles in putting the requisite investments in place by 2020. As in the production of the proposal, Svenska Kraftnät will provide the Ministry of Industry, Employment and Communication with expert know-how during the continued procedure in the Council of Europe and the European Parliament.

MARKET COUPLING

The integration of markets in Europe has continued to be a major issue during 2011. Models corresponding to the Nordic model, where flows of power and area prices are determined simultaneously through so-called implicit auctions, are being sought as a European target model. A European grouping, called AESAG[3], with members from several different groups, has been working to produce a roadmap for how to achieve the target model. The roadmap was presented at the Florence Forum[4] in December 2011 and the work on implementation will be carried out during 2012.

During 2011 Svenska Kraftnät has also 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 specifically be mentioned that during 2011 work has been conducted with the aim of further advancing the integration of the Nordic countries with Central Western Europe[5] and the UK. The system operators in the area are working to implement a common solution for both day-ahead-trade and intra-day-trade. The objective is for the new solutions to be operational during late 2012.

NORDIC HARMONISATION

During the year work has continued on the creation of a common Nordic balance settlement. The draft proposal for a model for balance settlement has been further developed during 2011 and in early 2012 work commenced on implementing the model in Sweden, Norway and Finland. The work constitutes a significant step towards a common Nordic end customer market.

Work on planning future network extensions of joint Nordic interest is taking place within the framework of the regional investment plans that ENTSO-E publishes as a part of its ten-year network development plan. Concrete expansion projects, such as the South Western Link, have been the subject of extensive cooperation between the national grid companies, Svenska Kraftnät and Statnett SF.

DEVELOPMENTS IN THE BALTIC STATES

The work of developing the electricity market in the Baltic States and its integration with the Nordic electricity market has proceeded according to plan during 2011. For Sweden's part, it is primarily the work on the NordBalt link that has been prioritised. The plan is to put NordBalt into operation at the turn of the year 2015/2016.

ELECTRICAL SAFETY

In this context the term electrical safety refers to the responsibility for electrical safety in relation to personal injury or damage to property. Maintaining 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.

[3] ACER Electricity Stakeholder Advisory Group (AESAG)
[4] The Florence Forum (e.g. Electricity Regulatory Forum) is a discussion forum, set up by the EU Commission, for issues contributing to the creation of an internal market for electricity
[5] Germany, France, Belgium, The Netherlands and Luxembourg

Svenska Kraftnät has been spared fatal accidents caused by electricity during 2011 as well. Nor have any electrical accidents been reported that have led to personal injury. Fifteen electrical incidents have been reported during the year. These excellent statistics are the result of management and staff taking in-depth responsibility and having a high level of expertise in terms of electrical safety, and the same applies to the contractors that work for us. Svenska Kraftnät's plants are developed, designed, built, maintained and supervised 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 the year Svenska Kraftnät has conducted three advance notice audits of how well electrical safety is being dealt with in the operation. Unannounced electrical safety inspections have been implemented at a number of Svenska Kraftnät's workplaces. The results demonstrate increased consciousness and observance of electrical safety requirements by the utility's contractors. The need for systematic checks that electrical safety requirements are being observed remains.

In connection with the start of Svenska Kraftnät's investment project, electrical safety is now included as a natural part of the project. Svenska Kraftnät's supplementary electrical safety instructions were updated during the year.

SEVEN YEAR REVIEW FOR THE GROUP

INCOME STATEMENT (MSEK)	2011	2010	2009	2008	2007	2006	2005
Operating revenue	**9,282**	10,547	6,851	7,717	6,326	6,838	5,885
Operating revenue excluding depreciation	**-7,965**	-9,098	-5,881	-6,328	-4,941	-5,581	-4,445
Depreciation	**-676**	-664	-613	-585	-590	-569	-558
Share of income in associated companies	**9**	20	31	1,069	69	48	30
OPERATING INCOME	**650**	805	388	1,873	864	736	912
Financial items	**-42**	-22	-7	-67	-127	-55	-29
INCOME AFTER FINANCIAL ITEMS	**608**	783	381	1,806	737	681	883
Tax on income for the year	**-14**	-10	-6	-3	-5	-5	-3
NET INCOME FOR THE YEAR	**594**	773	375	1,803	732	676	880
BALANCE SHEET (MSEK)							
Intangible fixed assets	**308**	282	284	259	226	224	207
Tangible fixed assets	**12,465**	10,400	9,782	8,893	8,549	8,545	8,655
Financial fixed assets	**105**	96	347	1,528	467	416	391
Inventories	**86**	89	88	89	93	89	73
Current receivables	**1,844**	1,972	1,023	842	995	718	776
Liquid funds	**733**	370	130	104	51	59	264
TOTAL ASSETS	**15,541**	13,209	11,654	11,715	10,381	10,051	10,366
Equity	**8,115**	8,019	7,501	8,159	6,832	6,539	7,435
Deferred tax	**40**	38	32	28	24	19	14
LONG-TERM LIABILITIES							
Interest-bearing	**2,768**	1,972	1,835	1,621	1,616	1,960	1,333
Non-interest-bearing	**1,794**	936	507	393	420	458	491
Provisions	**537**	478	433	392	361	253	240
CURRENT LIABILITIES							
Interest-bearing	**82**	82	82	98	98	98	98
Non-interest-bearing	**2,205**	1,684	1,264	1,024	1,030	724	755
TOTAL EQUITY AND LIABILITIES	**15,541**	13,209	11,654	11,715	10,381	10,051	10,366
KEY BUSINESS RATIOS							
Return on adjusted equity after tax[6] (%)	**6.1**	8.4	4.3	19.8	8.9	7.9	10.1
Return on total capital (%)	**4.6**	6.8	3.5	17.0	8.6	7.3	8.9
Return on capital employed (%)	**6.5**	9.0	4.5	21.6	10.7	9.0	10.8
Equity/assets ratio (%)	**45.6**	53.1	57.2	60.9	58.8	58.5	62.8
Operating margin (%)	**7.0**	7.6	5.7	24.3	13.7	10.8	15.5
Net profit margin after tax (%)	**4.8**	5.4	4.0	16.8	8.3	7.1	10.8
Capital turnover ratio (%)	**64.6**	84.8	58.6	69.8	61.9	67.0	56.9
Debt/equity ratio (%)	**37**	31	33	28	33	38	22
Self-financing level (times)	**0.6**	1.1	0.7	1.6	2.1	2.8	4.4
Interest coverage ratio (times)	**13.9**	14.0	13.3	25.7	6.1	12.4	21.5
OTHER							
Internally allocated funds (MSEK)	**1,189**	1,370	983	1,347	1,373	1,225	1,417
Net liability (MSEK)	**2,655**	2,162	2,220	2,007	2,024	2,252	1,407
Investments (MSEK)	**2,771**	1,276	1,527	963	596	478	338
Dividend paid to the Government (MSEK)	**499**	244	1,172	476	439	1,573	337
Average no. of employees (qauntity)	**375**	344	317	295	289	282	277
Energy supplied to the national grid (TWh)	**113.5**	110.3	104.4	115.0	120.5	119.8	127.7
Energy extracted from the national grid (TWh)	**110.8**	108.0	101.7	112.1	117.7	117.3	124.5
Energy losses	**2.7**	2.4	2.7	2.9	2.8	2.5	3.2

[6] Return after standard tax at 26.3%. Adjusted equity refers to 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.

05. FINANCIAL REPORTS

INCOME STATEMENT - THE GROUP (MSEK)

OPERATING REVENUE	NOT	2011	2010
Network revenue	1	4,441	4,165
System operator revenue - electricity	2	4,390	5,928
Telecommunications revenue		88	72
System operator revenue - natural gas		41	49
Chargeable activities		10	7
Government grant for power contingency planning	3	236	267
Capitalised work for own account	4	76	59
TOTAL OPERATING REVENUE		9,282	10,547
OPERATING EXPENSES			
Personnel expenses	5	-326	-297
Purchase of loss power		-1,297	-1,269
Purchased balancing power		-4,046	-5,422
Other operating expenses	6	-2,296	-2,110
Depreciation of tangible and intangible fixed assets	13, 14	-676	-664
TOTAL OPERATING EXPENSES		-8,641	-9,762
Share of income in associated companies	7	9	20
OPERATING INCOME	8	650	805
INCOME FROM FINANCIAL INVESTMENTS			
Income from other securities and receivables that are fixed assets	9	0	35
Interest income and similar income items	10	5	3
Interest expenses and similar expense items	11	-47	-60
INCOME AFTER FINANCIAL ITEMS		608	783
Tax on income for the year	12	-14	-10
NET INCOME FOR THE YEAR		594	773
Income attributable to:			
The state		581	769
Minority interests		13	4

COMMENTS ON INCOME STATEMENTS

OPERATING REVENUE AND EXPENSES

The Svenska Kraftnät Group's operating revenue fell during 2011, amounting to SEK 9,282 (10,547) million, a decrease of SEK 1,265 million, which is chiefly due to a lower average electricity price during the year resulting in lower invoicing to customers.

The Group's network revenue including capitalised work for own account amounted to

SEK 4,517 million, a rise of SEK 293 million compared with 2010. The revenue trend was affected by increased national grid tariffs and increased transmission on the national grid. Revenues from capacity charges fell during the year and amounted to SEK 77 million compared with SEK 495 million last year. However, the effect on earnings was greater as a result of changes to the regulations for handling congestion in accordance with the European Parliament's and the Council's Ordinance (EU) no. 714/2009 on conditions for access to the network for cross-border trade. From this year the part of the capacity charges that corresponds to expenses for counter trading are reported in the income statement. The remaining part is to be reported as a liability in the balance sheet and used for future investments to retain or increase the capacity in cross-border links. Of the SEK 762 million that were received, 77 are thus reported in the income statement as an income, which is SEK 418 million lower than last year. During the year SEK 685 million of the capacity charges received have been used to finance investments that increase or retain the capacity in transmission on the national grid.

The energy-dependent revenue from transmission on the national grid increased and amounted to SEK 1,757 (1,657) million due to around 3% higher transmission on the national grid. The fixed part of the capacity charge tariff was raised on the first of January 2011 to cover the increased operational expenses and the revenues thereby also increased by SEK 300 million. Revenues from transiting increased substantially during the year to SEK 209 million compared with SEK 12 million the year before. The increase in revenue is due to increased exports and higher transiting of electricity through the Swedish national grid thanks to the high levels in the Norwegian and Swedish storage reservoirs.

System revenues for electricity decreased substantially and amounted to SEK 4,390 (5,928) million. The lower revenues are explained by lower average electricity prices compared with 2010. The lower electricity prices led to lower revenues of approx. SEK 1,260 million during the year for regulating- and balance power sold.

The telecommunications operation's external income amounted to SEK 88 (72) million. System responsibility revenue for natural gas was SEK 41 (49) million. The decrease in income is due to lower charges for balance providers.

Contingency planning has utilised SEK 267 (236) 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 10 (7) 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 8,641 (9,762) million. The number of full-time employees increased by 28 during the year and staff expenses rose by SEK 29 million to SEK 326 million.

Since 1 January 2010 Svenska Kraftnät has had a new agreement on purchase of power losses based on the financial electricity price that applies for the period in question. For 2011 the costs rose by SEK 28 million to SEK 1,297 million. The new agreement exposes Svenska Kraftnät to the so-called price area risk in connection with purchase of power losses. The electricity price for purchase of power losses has been some 10% higher than last year, however, at the same time Svenska Kraftnät has been less exposed to price area risks than in 2010.

The costs for balance power decreased by SEK 1,376 million and amounted to SEK 4,046 million. Thanks to the lower average electricity prices, the costs for purchased regulating- and balance power decreased similarly to the situation with revenues. Expenses for counter trading fell during the year and amounted to SEK 70 million compared with SEK 186 million last year. At the same time the costs for frequency control/ primary regulation within the public utility increased by around SEK 200 million, which was due to the low reservoir levels that arose during the spring and summer months. This led to high costs for the hydroelectric power generation that was used to supply reserves for frequency control.

A bad debt loss of about SEK 14 million has been established during the year. Since the end of 2010 the same customer has caused Svenska Kraftnät a total bad debt loss of about SEK 22 million. The matter has been dealt with by a number of legal bodies during 2011 and this will continue during 2012 in order to produce a final solution.

Depreciation of tangible and intangible fixed assets increased by SEK 12 million and amounted to SEK 676 million.

OPERATING INCOME

Operating income for the Group amounted to SEK 650 million, a fall of SEK 155 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.

Transmission on the National Grid is the predominant business segment in Svenska Kraftnät's operations. Operating income for the year for transmission on the national grid amounted to SEK 883 (710) million. The higher earnings are largely due to lower expenses for counter trading during the year and higher revenues for temporary subscriptions. Some items concern both the Network and System Operator for Electricity business segments. Costs that has not been possible to attribute to a single business area have been allocated on a standard basis between the two segments.

Operating income for the System Operator for Electricity business segment was SEK 287 (41) million. The lower income is primarily due to substantially higher costs for primary regulation balance power between bidding areas.

Operating income for telecommunications amounted to SEK 40 (27) million. The improvement is primarily due to increased invoicing.

Operating income for System Operator for Natural Gas fell by SEK 1 million to SEK 3 million.

Operating income for the Chargeable Activities business segment, which includes renewable electricity certificates and fees for security of supply for natural gas, fell by SEK 1 million to SEK 2 million.

The Group's share of income in associated companies amounted to SEK 9 million compared with 20 SEK million for 2010. 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 7.0 (7.6) %, which is 0.6 percentage points better than the previous year.

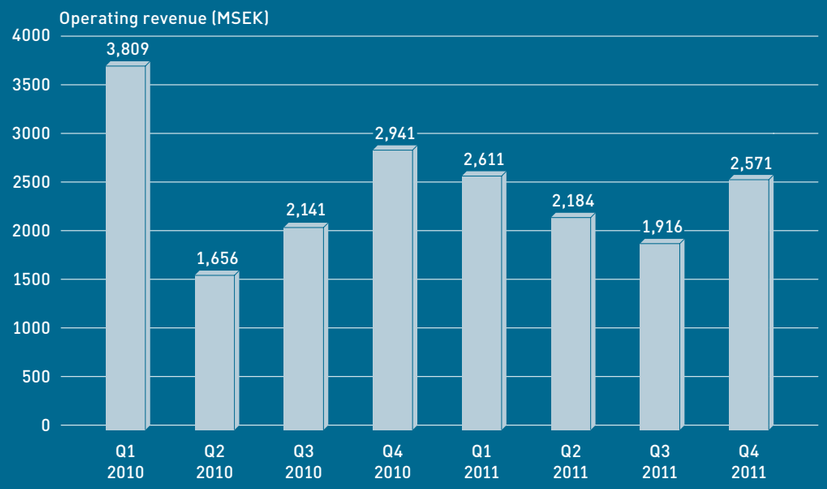
NET FINANCING

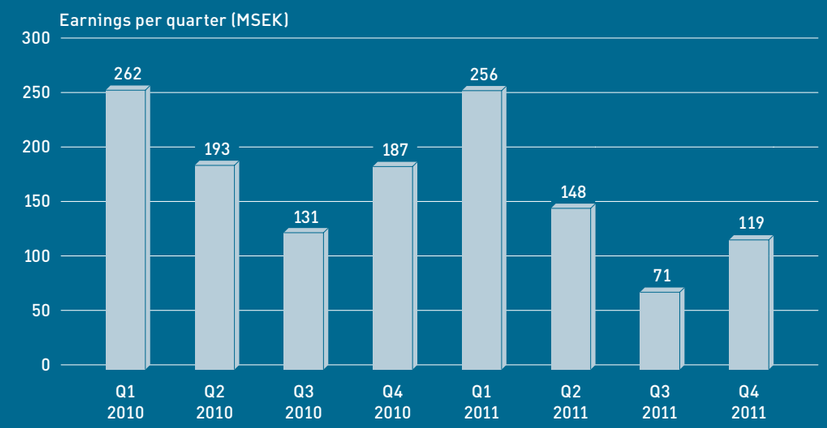
The Group's net financial income/expense amounted to SEK -42 (-22) million, which is a deterioration of SEK 20 million compared with last year. Earnings from other securities and receivables that are fixed assets amounted to SEK 0 (35) million. Included in this item for 2010 is a capital gain in connection with the disposal of shares worth SEK 34 million in the associated company Nord Pool ASA. The Group's interest income amounted to 5 (3) %, which is 2 percentage points better than the previous year. Deposits placed as security produced SEK 2 million in increased interest income. The Group's interest expenses and similar items amounted to SEK -47 (-60) million. The lower costs are primarily due to capitalized interest expenses on on-going construction projects, despite higher borrowings for the Group.

The interest coverage ratio amounted to 13.9 (14.0) times.

NET INCOME FOR THE YEAR

Consolidated net income for the year amounted to SEK 594 (773) million, which is SEK 179 million lower than in 2010. The result means a return of 6.1 (8.4) % on adjusted equity. According to the letter of governance for 2011, the target is to achieve an average return on adjusted equity of 6%. The net profit margin with a deduction for standard tax was 4.8 (5.4) %.





» NET INCOME FOR THE YEAR AMOUNTED TO SEK 594 MILLION «

BALANCE SHEET – THE GROUP

ASSETS (MSEK)	NOT	2011-12-31	2010-12-31
FIXED ASSETS			
Intangible fixed assets	13	**308**	282
Tangible fixed assets	14	**12,465**	10,400
Shares and participations in associated companies	16	**91**	84
Long-term receivables		**0**	0
Income taxes recoverable		**14**	12
TOTAL FIXED ASSETS		**12,878**	10,778
CURRENT ASSETS			
Inventories		**86**	89
Current receivables	17	**915**	821
Prepaid expenses and accrued income	19	**929**	1,151
Liquid funds		**733**	370
TOTAL CURRENT ASSETS		**2,663**	2,431
TOTAL ASSETS		**15,541**	13,209
EQUITY AND LIABILITIES			
EQUITY REFERABLE TO OWNERS			
Government capital		**600**	600
Other paid-up capital		**3,314**	3,314
Profit brought forward		**4,140**	4,057
THE GOVERNMENT'S CAPITAL		**8,054**	7,971
MINORITY INTERESTS		**61**	48
TOTAL EQUITY		**8,115**	8,019
LONG-TERM LIABILITIES			
Interest-bearing liabilities	20	**2,768**	1,972
Non-interest-bearing liabilities	21	**1,794**	936
Deferred tax		**40**	38
Provisions for pensions	22	**537**	478
Other provisions		**-**	0
TOTAL LONG-TERM LIABILITIES		**5,139**	3,424
CURRENT LIABILITIES			
Interest-bearing liabilities	23	**82**	82
Accounts payable		**1,277**	499
Other liabilities		**139**	107
Accrued expenses and prepaid income	24	**789**	1,078
TOTAL CURRENT LIABILITIES		**2,287**	1,766
TOTAL EQUITY AND LIABILITIES		**15,541**	13,209
PLEDGED SECURITIES		**Inga**	Inga
CONTINGENT LIABILITIES	25, 26	**0**	0

COMMENTS ON THE BALANCE SHEET

BALANCE SHEET TOTAL
The consolidated balance sheet total amounted to SEK 15,541 (13,209) million, which is an increase of SEK 2,332 million.

FIXED ASSETS
Svenska Kraftnät's intangible fixed assets consist of land rights, rights of use for fibre-optic cables, licences and capitalized expenditure for computer programs. The book value is SEK 308 (282) million. Investments in computer programs, including a new operational monitoring system, amounted to SEK 64 (55) million. Depreciation on intangible fixed assets for the year amounted to SEK 46 (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 12,465 (10,400) million, which is an increase of SEK 2,065 million. Investments during the year amounted to SEK 2,707 million and depreciation and write-downs to SEK 592 million.

The other fixed assets consist of participations in associated companies and income taxes recoverable. Participations in associated companies amounted to SEK 91 (84) million. During the year, the parent entity received a dividend of SEK 2 Mkr from Nord Pool Spot AS and share of income in associated companies amounted to SEK 9 million.

CURRENT ASSETS
Current assets amounted to SEK 2,663 (2,431) million. The increase mainly relates to increased liquid assets which were SEK 733 (370) million at the end of the year, an increase of 363 SEK million. The public utility has pledged securities in the form of deposits at bank accounts in commercial banks in order to be able to subscribe to options for future electricity purchases. These amounted to SEK 662 million. The deposit was redeemed on 5 January 2012 and instead the public utility is now utilizing an account in the National Debt Office to manage the security requirements in connection with purchase of electricity.

EQUITY
Equity in the Group at year-end was SEK 8,115 (8,019) million, of which SEK 4,140 (4,057) million consisted of retained earnings. SEK 499 (244) million has been distributed to the owners during the course of the year. Net Group profit for the year amounted to SEK 594 (773) million.

LONG-TERM LIABILITIES
The Group's long-term interest- bearing liabilities consist of the parent entity's loan parameter with the National Debt Office of SEK 2,131 (1,252) million and SwePol Link's bank loans of SEK 637 (720) million. The interest-bearing borrowing requirements in the Group thereby increased by 796 (137) million during the year. The average interest on the loans for the Group during 2011 was 1.9 (0.8) %.

Non-interest-bearing liabilities that consist of contributions from land owners, investment grants from stakeholders, cumulative capacity charges, advances from customers within the fibre optic operation and other customers amount to SEK 1,794 (936) million.

The level of the net loan debt increased by SEK 493 million and amounted to SEK 2,655 (2,162) million. This had an impact on the debt/equity ratio, which increased during the year to 37 (31) %. The target for 2011 is that Svenska Kraftnät will achieve a debt/equity ratio of a maximum of 73%.

CURRENT LIABILITIES
Accounts payable increased substantially prior to the turn of the year in connection with signing a number of contracts and advance payments with regard to the South Western Link project.

CASH FLOW STATEMENT – THE GROUP (MSEK)

THE YEAR'S OPERATIONS	2011	2010
Operating income	650	805
Adjustment for items not included in cash flow		
Depreciation	676	664
Other items	-79	-82
Interest paid	-46	-15
Tax paid	-12	-2
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	1,189	1,370
CHANGES IN WORKING CAPITAL		
Change in inventories	3	-1
Change in current receivables	-115	-629
Change in current liabilities	-21	420
CASH FLOW FROM THE YEAR'S OPERATIONS	1,056	1,160
INVESTMENT ACTIVITIES		
Investments in tangible and intangible fixed assets	-2,229	-1,276
Change in long-term receivables	0	62
Sale of fixed assets	0	63
CASH FLOW FROM INVESTMENT ACTIVITIES	-2,229	-1,151
FINANCING ACTIVITIES		
Dividend received	3	174
Change in interest-bearing liabilities	796	137
Change in other long-term liabilities	1,234	164
Advance payments from customers	2	0
Dividend paid	-499	-244
CASH FLOW FROM FINANCING ACTIVITIES	1,536	231
CASH FLOW FOR THE YEAR	363	240
Liquid assets at the beginning of the year	370	130
Liquid assets at year-end	733	370

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 are understood to be cash and bank balances.

THE YEAR'S OPERATIONS
Cash flow from the year's operations before changes in operating capital deteriorated by SEK 181 million compared with the previous year and amounted to SEK 1,189 million. Cash flow from the year's operations amounted to SEK 1,056 (1,160) million. The deterioration is primarily a result of the lower level of operating income.

INVESTMENT ACTIVITIES
Investments made by the Group increased during the year and amounted to SEK 2,229 (1,276) million. Investments in the parent entity amounted to SEK 2,180 (1,255) million, SEK 25 (1) million in the sub-group SwePol Link and SEK 24 (20) million in Svenska Kraftnät Gasturbiner AB.

FINANCING ACTIVITIES
The Group's interest-bearing liabilities increased during the year compared with SEK 137 million in 2010. Interest-bearing liabilities in the parent entity increased by SEK 879 (219) million and in the sub-group SwePol Link external interest-bearing liabilities decreased by SEK 83 (82) million. Svenska Kraftnät Gasturbiner AB's in-Group interest-bearing liability was SEK 132 (144) million. Other long-term liabilities increased by SEK 1,207 million as an element in the co-financing of the Stockholm Ström project from a number of municipalities and the Nord Balt Cable. In addition, capacity charges are reported as long-term liabilities and are used to finance future investments that retain or expand the transmission capacity in the national grid. SEK 499 (244) million has been paid to the Government. Cash flow for the year amounted to SEK 363 million compared with SEK 240 million in 2010.

CHANGE IN EQUITY – GROUP (MSEK)

	REFERABLE TO THE GOVERNMENT					
	The Governmentscapital	Other paid-up capital	Capitalized profits incl. net income for the year	Total	Referable to minority interests	Total equity
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	769	4	773
CLOSING BALANCE 2010	600	3,314	4,057	7,971	48	8,019
OPENING BALANCE 2011	600	3,314	4,057	7,971	48	8,019
Translation difference			1	1		-1
Dividend	—	—	-499	-499	—	-499
Net income for the year	—	—	581	581	13	594
CLOSING BALANCE 2011	600	3,314	4,140	8,054	61	8,115

PROFIT BROUGHT FORWARD INCLUDING NET INCOME FOR THE YEAR

Profit brought forward including net income for the year is constituted by profit accrued in the parent entity, in subsidiaries, and also in 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 2010 was adopted by the Government.

»THE GROUP'S REVENUES FELL BY 12 PERCENT«

INCOME STATEMENT - PARENT ENTITY (MSEK)

OPERATING REVENUE	NOT	2011	2010
Network revenue	1	**4,163**	3,955
System operator revenue – electricity	2	**4,391**	5,931
Telecommunications revenue		**88**	72
System operator revenue – natural gas		**41**	49
Chargeable activities		**10**	7
Government grant for power contingency planning	3	**236**	267
Capitalised work for own account	4	**76**	59
TOTAL OPERATING REVENUE		**9,005**	10,340
OPERATING EXPENSES			
Personnel expenses	5	**-326**	-296
Purchase of loss power		**-1,279**	-1,269
Purchased balancing power		**-4,051**	-5,438
Other operating expenses	6	**-2,272**	-2,089
Depreciation of tangible and intangible fixed assets	13, 14	**-520**	-513
TOTAL OPERATING EXPENSES		**-8,448**	-9,605
OPERATING INCOME		**557**	735
INCOME FROM FINANCIAL INVESTMENTS			
Result from other securities and receivables that are fixed assets	9	**7**	66
Interest income and similar income items	10	**4**	2
Interest expenses and similar expense items	11	**-23**	-49
INCOME AFTER FINANCIAL ITEMS		**545**	754

THE PARENT ENTITY, THE SVENSKA KRAFTNÄT PUBLIC UTILITY

Operating revenue amounted to SEK 9,005 (10,340) million, SEK 66 (50) million of which pertained to sales to group companies. Income after financial items amounted to SEK 545 (754) million. Last year's earnings were affected by a dividend of SEK 174 million that 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 amounted to SEK 2,722 (1,255) million. As per 31 December 2011, liquid funds amounted to SEK 700 (313) million.

The parent entity finances its operations with equity and loans in the National Debt Office. At year end borrowings amounted to SEK 2,131 (1,252) million and equity to SEK 7,830 (7,784) million.

During 2011 the public utility has received co-financing for a number of investment projects and used the capacity charges it has received to finance, in particular, the Fenno-Skan 2 project.

BALANCE SHEET – PARENT ENTITY (MSEK)

ASSETS

FIXED ASSETS	NOT	2011-12-31	2010-12-31
INTANGIBLE FIXED ASSETS	13		
Capitalised expenditure for computer programmes		**116**	138
Land rights		**59**	54
Rights of use		**33**	38
Construction work in progress		**100**	52
TOTAL INTANGIBLE FIXED ASSETS		**308**	282
TANGIBLE FIXED ASSETS	14		
Buildings and land		**232**	196
Machinery and equipment		**7,320**	6,221
Construction work in progress		**3,557**	2,516
TOTAL TANGIBLE FIXED ASSETS		**11,109**	8,933
FINANCIAL FIXED ASSETS			
Shares and participations in Group companies	15	**12**	12
Receivables from Group companies		**121**	133
Shares and participations in associated companies	16	**47**	47
Receivables from associated companies		**0**	0
TOTAL FINANCIAL FIXED ASSETS		**180**	192
TOTAL FIXED ASSETS		**11,597**	9,407
CURRENT ASSETS			
INVENTORIES		**2**	5
CURRENT RECEIVABLES			
Accounts receivable		**673**	678
Receivables from Group companies		**30**	21
Receivables from associated companies		**-**	0
Other receivables		**136**	49
Receivables from the public utility's cheque account	18	**27**	61
Prepaid expenses and accrued income	19	**927**	1,150
TOTAL CURRENT RECEIVABLES		**1,793**	1,959
CASH AND BANK BALANCES		**700**	313
TOTAL CURRENT ASSETS		**2,495**	2,277
TOTAL ASSETS		**14,092**	11,684

BALANCE SHEET - PARENT ENTITY (MSEK)

EQUITY AND LIABILITIES

EQUITY	NOT	2011-12-31	2010-12-31
RESTRICTED EQUITY			
Government capital		**600**	600
Restricted reserves		**3,314**	3,314
TOTAL RESTRICTED EQUITY		**3,914**	3,914
Profit brought forward		**3,371**	3,116
Net income for the year		**545**	754
TOTAL UNRESTRICTED EQUITY		**3,916**	3,870
TOTAL EQUITY		**7,830**	7,784
PROVISIONS			
INTEREST-BEARING PROVISIONS			
Provisions for pensions	22	**537**	478
NON INTEREST-BEARING PROVISIONS		**-**	0
LIABILITIES			
INTEREST-BEARING LONG-TERM LIABILITIES	20	**2,131**	1,252
NON-INTEREST-BEARING LONG-TERM LIABILITIES	21	**1,463**	561
NON-INTEREST-BEARING CURRENT LIABILITIES			
Accounts payable		**1,268**	493
Liabilities to group companies		**8**	
Other liabilities		**75**	46
Accrued expenses and prepaid income	24	**780**	1,070
TOTAL NON-INTEREST-BEARING CURRENT LIABILITIES		**2,131**	1,609
TOTAL EQUITY AND LIABILITIES		**14,092**	11,684
PLEDGED SECURITIES		**Inga**	Inga
CONTINGENT LIABILITIES	25, 26	**0**	0

CASH FLOW STATEMENT - PARENT ENTITY (MSEK)

THE YEAR'S OPERATIONS	2011	2010
Operating income	557	735
Adjustment for items not included in cash flow		
Depreciation	520	513
Other items	-22	-9
Interest paid	-25	-6
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	1,030	1,233
CHANGES IN WORKING CAPITAL		
Change in inventories	3	-1
Change in current receivables	-77	-599
Change in current liabilities	-20	410
CASH FLOW FROM THE YEAR'S OPERATIONS INVESTMENT ACTIVITIES	936	1,043
INVESTMENT ACTIVITIES		
Investments in tangible and intangible fixed assets	-2,180	-1,255
Change in long-term receivables	12	74
Sale of fixed assets	0	63
CASH FLOW FROM INVESTMENT ACTIVITIES	-2,168	-1,118
FINANCING ACTIVITIES		
Dividend received	3	174
Change in interest-bearing liabilities	879	219
Change in other long-term liabilities	1,234	163
Advance payments from customers	2	0
Dividend paid	-499	-244
CASH FLOW FROM FINANCING ACTIVITIES	1,619	312
CASH FLOW FOR THE YEAR	387	237
Liquid assets at the beginning of the year	313	76
Liquid assets at year-end	700	313

CHANGE IN EQUITY – PARENT ENTITY (MSEK)

	GOVERNMENT CAPITAL	OTHERPAID-UP CAPITAL	CAPITALIZED PROFITS INCL. NET INCOME FOR THE YEAR	SUMMA
AMOUNT IN MSEK	600	3,314	3,360	7,274
Opening balance 2010	—	—	-244	-244
Dividend	—	—	754	754
NET INCOME FOR THE YEAR	600	3,314	3,870	7,784
CLOSING BALANCE 2010	600	3,314	3,870	7,784
Opening balance 2011	—	—	-499	-499
Dividend	—	—	545	545
NET INCOME FOR THE YEAR	600	3,314	3,916	7,830
CLOSING BALANCE 2011				

The dividend paid is reported against the below income title.

INCOME TITLE (TSEK)	AMOUNT TO DEPOSIT	AMOUNT DEPOSITED
2116 Parent entity's dividend deposited and deposit of equivalent to state tax	499,000	499,000

06. ADDITIONAL INFORMATION AND NOTES

ACCOUNTING AND VALUATION PRINCIPLES

BASIS FOR PREPARING THE REPORTS

Svenska Kraftnät's accounts comply with Ordinance (2000:606) on public authority book-keeping and the Swedish National Finance Management Authority'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 Ordinance (2000:605) on annual reports and budget input and the Swedish National Finance Management Authority's regulations and general advice. Part of Svenska Kraftnät's operations – contingency planning – is financed via Government grants. For this particular activity, the provisions of Ordinance (1996:1189) on grants also applies, which among other things regulates the principles for grant settlement and how non-utilised funds may be retained between different budget years.

Svenska Kraftnät has made departures from the above ordinance when preparing the Group's income statements and balance sheets, cash flow statements and changes in equity and followed the Swedish Financial Accounting Standards Council's recommendations (RR 1:00). This is in order to provide a more true and fair picture of the Group's financial status and better comparability with other Swedish groups.

PRECONDITIONS FOR THE DRAFTING OF THE GROUP'S FINANCIAL REPORTS

The parent company's functional currency for reporting is Swedish kronor for both the parent company and the Group. All amounts that are given are rounded off to the nearest million kronor 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 means briefly that the acquisition cost for the shares in the subsidiary are eliminated against the equity that exists in the subsidiary at the time of the acquisition. The recommendations of the Swedish Financial Accounting Standards Council concerning consolidated accounts are applied.

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

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

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

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

Network revenue
Network revenue consists of both capacity charges and energy dependent fees. Capacity charges are fixed annual 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 income 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. If the flow of electricity through Sweden is high, Svenska Kraftnät receives income. At the same time, the flows are generally through Denmark and neighbouring countries, 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 gross for system responsibility 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 carried out.

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

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

INTEREST EXPENSES
Interest expenses consist of interest and other expenses that arise when borrowing capital. Interest expenses are reported in the period to which they relate. Interest expenses during the construction period are activated with the construction of capital assets in excess of SEK 100 million. This amount was increased at the start of the year by 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 result.

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

LIQUID FUNDS
Liquid funds comprise bank balances and deposits.

DERIVATIVES INSTRUMENTS
The parent entity uses derivatives instruments to secure financial risks, primarily risks associated with the electricity price and currency exposure. From 2012 Svenska Kraftnät purchases its network losses on the Nord Pool Spot electricity exchange in combination with financial hedging on NASDAQ OMX Commodities. To enable it to conclude agreements on electricity futures, the parent entity has pledged security in the form of deposits in euros and they have been hedged.

REPORTING OF LEASING AGREEMENTS
All leasing agreements are reported as operational leases. They are 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 required 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 activated with the construction of facilities in excess of SEK 100 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. The assessment is based on the development period, its complexity and the difficulty to replace it.

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

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 where 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, which means that the utility 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 employees born in 1942 or earlier 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 contribution pensions – individual old-age pension and supplementary old-age pension, Kåpan. Premiums are paid for these. Defined-benefit pensions are also included – 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 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.

About 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 does not consider the pension provision to be 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 2011 or 2012 rate could be used in calculating the 2011 pension liability. The difference between them is, briefly, that the 2011 basis for calculation is based on a lower yield assumption (1.1% instead of 1.4%) which in turn leads to a higher pension liability. Svenska Kraftnät reports the liability according to the 2012 basis. The part of the change in pension provision that is a result of the change to the 2012 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 GRANTS
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 grant is deducted as miscellaneous income in the income statement concurrently with the fixed asset being written off.

CAPACITY CHARGES
In accordance with the European Parliament's and the Council's Ordinance (EU) no. 714/2009 on conditions for access to the network for cross-border trade, capacity charges received are recorded on an on-going basis in the balance sheet as current liabilities and booked against counter trading costs during the financial year. At the end of the year they are reclassified as long-term liabilities and can be utilized as investment grants/co-financing for investments that retain or expand the national grid's capacity.

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, 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 draw 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.

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

BORROWING
Borrowing is reported at a nominal amount.

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

NOTES

NOTE 1. NETWORK REVENUE

	GROUP		PARENT ENTITY	
MSEK	**2011**	2010	**2011**	2010
Power revenue	**1,971**	1,671	**2,030**	1,715
Energy-dependent revenue	**1,757**	1,657	**1,757**	1,657
Capacity charges	**77**	495	**77**	495
Transit revenue	**209**	12	**209**	12
SwePol Link	**337**	245	**-**	-
Settlement of capacity charges	**11**	-	**11**	-
Settlement of investment grants	**1**	-	**1**	-
Other revenue	**70**	85	**90**	76
TOTAL	**4,441**	4,165	**4,163**	3,955

From 2011, settlement of capacity charges takes place with respect to cumulative capacity charges that have been received and that are subsequently linked to a completed investment project in accordance with the European Parliament's and the Council's (EU) Ordinance no. 714/2009. Settlement is reported as network revenue. Similarly, settlement of investment grants takes place in relation to completed investment projects where co-financing has been received. For comments on the change in capacity charges see page 39.

NOTE 2. SYSTEM REVENUES

	GROUP		PARENT ENTITY	
MSEK	**2011**	2010	**2011**	2010
Sold balancing power	**3,360**	4,498	**3,361**	4,501
Sold final power	**292**	462	**292**	462
Sold supportive power	**68**	191	**68**	191
Sold regulation power	**569**	691	**569**	691
TOTAL REGULATION POWER	**4,289**	5,842	**4,290**	5,845
Power reserve	**95**	79	**95**	79
Ediel revenues	**6**	7	**6**	7
TOTAL	**4,390**	5,928	**4,391**	5,931

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

	Constituent transmission amount	Allocation for the year as per letter of governance	Total disposable funds	Expenses	Closing transmission amount
EXPENSE AREA 21 – ENERGY 01:11 Electricity contingency planning					
Appropriation item 1, Electricity contingency planning	14,776	250,000	264,776	-235,884	28,892
TOTAL	**14,776**	**250,000**	**264,776**	**-235,884**	**28,892**

CONDITIONS FOR THE GRANT ACCORDING TO LETTER OF GOVERNANCE (MSEK)	MAXIMUM AMOUNT	OUTCOME
Administrative expenses in the operation	24	13

The grants consumed during the course of the year amounting to SEK 236 (267) have been chiefly used for compensation to the emergency reserve (SEK 64 million), supplementing emergency pylons (SEK 30 million), introduction of a radio communication system for effective management within large regional network companies (SEK 11 million), purchase of mobile transformer station (SEK 22 million), and operation and maintenance of emergency stores (SEK 9 million).

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.

EXPENSE AREA 21 – ENERGY 01:11 Electricity contingency planning	Allocated framework for outstanding undertakings	Opening undertakings	Outstanding undertakings	Distribution per year				
				2012	2013	2014	2015	2016
Appropriation item 1, Electricity contingency planning	330,000	378,784	327,233	124,352	71,363	69,586	37,266	24,666

NOTE 4. CAPITALISED WORK FOR OWN ACCOUNT

GROUP AND PARENT ENTITY (MSEK)	2011	2010
Construction work in progress	63	51
Capitalised development of computer programs	13	8
TOTAL	**76**	59

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. PERSONNEL EXPENSES

The number of full-time employees in the Group was 375 (344), 373 (342) of whom were in the parent entity and 2 (2) in Poland in the SwePol Link Group.

On 31 December the Group had 399 (376) permanent employees which, converted into full-time jobs, is 388 (360).

The distribution between men and women at year-end can be seen from the table below. One man and one woman were employed in Poland.

FULL-TIME EMPLOYMENT	GROUP		PARENT ENTITY	
Quantity	2011	2010	2011	2010
Women	127	113	126	112
Men	261	247	260	246
TOTAL	**388**	360	**386**	358

The Group's staff expenses amounted to 326 (297), of which the payroll costs were 195 (184). To this shall be added pension expenses of 42 (30) and social expenses of 70 (64).

The parent entity's staff expenses amounted to 326 (296), of which the payroll costs were 195 (183). To this shall be added pension expenses of 42 (30) and social security expenses of 70 (64).

The Director General's salary amounted to SEK 1.3 million and the pension expense for the year to SEK 0.7 million according to calculations from the National Government Employee Pensions Board. The Deputy Director-General's salary amounted to SEK 1.0 million and pension expenses amounted to SEK 1.5 million.

A female board member resigned on 31 March 2011 and was not replaced by the Government. The distribution between men and women on the Board of Directors is set out in the table.

THE BOARD OF DIRECTORS, QTY	2011	2010
Women	2	3
Men	5	5
TOTAL	7	8

Remuneration to Directors etc. is set out in the table below.

BOARD MEMBER	ASSIGNMENTS IN OTHER GOVERNMENT AUTHORITIES, BOARD /COUNCIL OR LIMITED COMPANY	FEE
Bo Källstrand, Chairman County Governor in Västernorrland County.	Seventh AP Fund	82,002
Anna-Stina Nordmark-Nilsson, Deputy Chairperson Former MD of the Swedish Federation of Business Owners.	Sveaskog AB, Diös fastigheter AB.	64,998
Mikael Odenberg, Director General	Member of the Swedish Agency for Government Employers, Total Defence's executive group and the Government's Emergency Management Committee.	
Christer Samuelsson CEO and partner, Trinovo Sensa AB	Trinovo Consulting Group AB.	55,251
Karin Stierna Municipal Commissioner, Strömsund municipality	Strömsunds Utvecklingsbolag AB.	55,251
Björn Carlsson CEO Ackkärrs Bruk. Consultant in investment banking		55,251
Bo Normark CEO Power Circle AB	Member of the Board for Energy Development, UP Kraft.	55,251
Sara Jonsson, Staff representative SACO		
Sture Törnstam, Staff representative ST		
DEPARTED BOARD MEMBERS		
Minoo Akhtarzand		8,832
TOTAL		**376,836**

According to the authority's instruction, Svenska Kraftnät must have a council 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 2011 in Swedish kronor amounted to:

DAM SAFETY COUNCIL	
Henrik Löv	36 000

No remuneration has been paid in 2011 for representation on the Telecommunications Interference Board.

In 2011 remuneration for the members of the Contingency Planning Council in Swedish kronor amounted to:

CONTINGENCY PLANNING COUNCIL	
Kai Barvell	975
Caroline Carlsson	975
Lena Hovmark	2,925
Lars Joelsson	975
Daniel Jonsson	2,925
Rémy Kolessar	975
Ove Landberg	2,925
Cecilia Nyström	1,950
Anders Richert	2,925
Mikael Toll	2,925
SUMMA	**20,475**

NOTE 6. OTHER OPERATING EXPENSES

	GROUP		PARENT ENTITY	
MSEK	**2011**	2010	**2011**	2010
Energy crediting	**431**	443	**431**	443
Operation & maintenance	**351**	309	**277**	257
Plant fees	**76**	45	**76**	45
Transit expenses	**91**	94	**91**	94
Countertrade for national grid	**70**	186	**70**	186
Primary Regulation	**652**	453	**652**	453
Disturbance reserve	**80**	63	**129**	103
Power reserve	**102**	76	**102**	79
Research and development	**25**	21	**25**	21
Electricity contingency planning expenses	**197**	233	**221**	252
Other expenses	**221**	187	**198**	156
TOTAL	**2,296**	2,110	**2,272**	2,089

Other expenses include a bad debt loss of approx. SEK 14 million. Since the end of 2010 the same customer has caused Svenska Kraftnät a total bad debt loss of about SEK 22 million. The matter has been dealt with by a number of legal bodies during 2011 and this will continue during 2012.

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

	GROUP		PARENT ENTITY	
MKR	**2011**	2010	**2011**	2010
Swedish National Audit Office	**1.1**	0.9	**1.1**	0.9
Other auditors	**0.3**	0.4	**-**	-
AUDITING EXPENSES	**1.4**	1.3	**1.1**	0.9
Consultation, Ernst & Young	**1.5**	0.2	**-**	-
TOTAL	**2.9**	1.5	**1.1**	0.9

NOTE 7. SHARE OF INCOME IN ASSOCIATED COMPANIES

GROUP (MSEK)	**2011**	2010
Nord Pool ASA	**-**	9
Nord Pool Spot AS	**6**	5
STRI	**1**	2
Kraftdragarna AB	**2**	4
TOTAL	**9**	20

NOTE 8. OPERATING INCOME PER BUSINESS SEGMENT

	OPERATING REVENUE		OPERATING INCOME	
GROUP (MSEK)	**2011**	2010	**2011**	2010
Transmission on the national grid	**4,517**	4,224	**883**	710
System operator – electricity	**4,390**	5,928	**-287**	41
Telecommunications – external	**88**	72	**36**	22
Telecommunications – internal	**55**	54	**4**	5
System operator – natural gas	**41**	49	**3**	4
Chargeable activities	**10**	7	**2**	3
Associated companies	**-**	-	**9**	20
Contingency operations	**236**	267	**0**	0
Segment elimination	**-55**	-54	**-**	-
TOTAL	**9,282**	10,547	**650**	805

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 business segments. Activated own work is included in Transmission on the National Grid, see note 4.

Some items concern both the business segments Transmission on the National Grid and System Operator for Electricity. When it has not been possible to link these activities to a business segment, the costs have been distributed on a standard basis.

The Telecommunications business segment has performed services for Transmission on the national grid to a value of 55 (54) million, which is reported as operating income for Telecommunications and a corresponding increase in operating expense for Transmission on the national grid. Work performed by the entity and capitalised is included in the Transmission on the national grid business segment's revenues at an amount of SEK 76 (59) million.

Within the System responsibility for electricity business segment, 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 2011 and 2010 in the parent entity.

PARENT ENTITY (MSEK)	**2011**	2010
OPERATING REVENUE		
Balancing power revenue	**4,224**	5,759
Power reserve	**95**	79
EDIEL	**6**	7
Other balancing service revenues	**66**	86
TOTAL OPERATING REVENUE	**4,391**	5,931
OPERATING EXPENSES		
PERSONNEL EXPENSES	**-15**	-15
Balancing power expenses	**-4,051**	-5,438
System operation, primary regulation	**-390**	-272
Disturbance reserve	**-65**	-51
Power reserve	**-102**	-79
Other expenses	**-31**	-20
Depreciation	**-13**	-8
TOTAL OPERATING EXPENSES	**-4,667**	-5,883
OPERATING INCOME	**-276**	48

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

MSEK	2011	2010
Transmission on the national grid	**2,724**	1,239
System responsibility - electricity	**16**	19
Telecommunications	**27**	12
Chargeable activities	**4**	6
TOTAL	**2,771**	1,276

Return on capital employed for the group was 6.5 (9.0) %. The predominant proportion of the capital employed pertains to the Transmission on the national grid business segment.

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

	GROUP		PARENT ENTITY	
MSEK	2011	2010	2011	2010
Dividend on shares and participations in associated companies	-	-	**3**	174
Income in conjunction with sales of share in Nord Pool ASA	-	34	-	-111
Interest income on long-term receivables in subsidiaries	-	-	**4**	2
Interest income on long-term receivables in associated companies	-	1	-	1
TOTAL	**0**	35	**7**	66

NOTE 10. INTEREST INCOME AND SIMILAR INCOME ITEMS

	GROUP		PARENT ENTITY	
MSEK	2011	2010	2011	2010
Interest income from bank balances	**2**	2	**1**	1
Interest income from currency futures	**2**	-	**2**	-
Other interest income	**1**	1	**1**	1
TOTAL	**5**	3	**4**	2

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	2011	2010	2011	2010
Interest expenses, Pension liability	**33**	38	**33**	38
Interest expenses, long-term credit	**21**	9	**-**	-
Interest expenses, National Debt Office loan	**25**	5	**25**	5
Interest expenses, current liabilities	**1**	1	**1**	1
Interest expenses, currency futures	**5**	-	**5**	-
Capitalised interest for new construction	**-41**	-6	**-41**	-6
Exchange rate differences	**3**	13	**-**	11
TOTAL	**47**	60	**23**	49

NOTE 12. TAX ON INCOME FOR THE YEAR

GROUP (MSEK)	2011	2010
Current tax	**-14**	-6
Deferred tax	**0**	-4
TOTAL	**-14**	-10

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-optics	Construction work in progress	Total
Opening acquisition value	244	170	79	52	545
Acquisitions	-	-	-	64	64
Sales/disposal	-48	-	-	-	-48
Reclassifications	15	8	1	-16	8
CLOSING ACCUMULATED ACQUISITION VALUE	211	178	80	100	569
Depreciation brought forward	106	116	41	-	263
Sales/disposal	-48	-	-	-	-48
Depreciation for the year	37	3	6	-	46
ACCUMULATED DEPRECIATION CARRIED FORWARD	95	119	47	-	261
PLANNED RESIDUAL VALUE CARRIED FORWARD	**116**	**59**	**33**	**100**	**308**
Depreciation last fiscal year	28	3	7	-	38

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	966	17,739	2,542	21,247
Acquisitions	1	25	2,681	2,707
Sales/disposal	0	-105	-	-105
Depreciation in connection with disposal	-	-6	-	-6
Reclassifications	50	1,607	-1,666	-9
CLOSING ACCUMULATED ACQUISITION VALUE CARRIED FORWARD	1,017	19,260	3,557	23,834
Depreciation brought forward	534	10,313	-	10,847
Sales/disposal	0	-97	-	-97
Depreciation for the year	37	582	-	619
ACCUMULATED DEPRECIATION CARRIED FORWARD	571	10,798	-	11,369
PLANNED RESIDUAL VALUE CARRIED FORWARD	**446**	**8,462**	**3,557**	**12,465**
Depreciation last fiscal year	37	584	-	621

PARENT ENTITY (MSEK)	Buildings and land	Machinery and other technical facilities	Construction work in progress	Total
Opening acquisition value	489	15,299	2,516	18,304
Acquisitions	-	1	2,657	2,658
Sales/disposal	0	-88	-	-88
Depreciation in connection with disposal	-	-6	-	-6
Reclassifications	50	1,557	-1,616	-9
CLOSING ACCUMULATED ACQUISITION VALUE CARRIED FORWARD	539	16,763	3,557	20,859
Depreciation brought forward	293	9,078	-	9,371
Sales/disposal	0	-87	-	-87
Depreciation for the year	14	452	-	466
ACCUMULATED DEPRECIATION CARRIED FORWARD	307	9,443	-	9,750
PLANNED RESIDUAL VALUE CARRIED FORWARD	**232**	**7,320**	**3,557**	**11,109**
Depreciation last fiscal year	13	457	-	**470**

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 263 (233) million.

NOTE 15. SHARES AND PARTICIPATIONS IN GROUP COMPANIES

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

NOTE 16. SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

COMPANY	CORPORATE NUMBER	DOMICILE	SHARE (%)	QUANTITY	BOOK VALUE GROUP	BOOK VALUE PARENT ENTITY
Nord Pool Spot AS	NO 984058098	Lysaker	30	4,320	61	42
Stri AB	556314-8211	Ludvika	25	375	15	4
Kraftdragarna AB	556518-0915	Västerås	50	5,000	14	1
Elforsk AB	556455-5984	Stockholm	25	750	1	0
Triangelbolaget D4 AB	556007-9799	Stockholm	25	525	0	0
TOTAL					**91**	**47**

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

NOTE 17. CURRENT RECEIVABLES – THE GROUP

MSEK	2011	2010
Accounts receivable	**714**	707
Receivables from associated companies	**0**	0
Other receivables	**174**	53
Receivable from the public utility's overdraft facility	**27**	61
TOTAL	**915**	821

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

GROUP AND PARENT ENTITY (TSEK)	2011	2010
Opening balance (receivable +, liability -)	61,028	33,811
Settled against Government budget:		
Appropriation	235,884	267,219
Income titles, dividend	-499,000	-244,000
Settled against public utility's overdraft facility:		
Appropriation funds withdrawn	-270,002	-240,002
Dividend paid in	499,000	244,000
BALANCE CARRIED FORWARD	**26,910**	61,028

The receivable carried forward of SEK 27 (61) 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

NOTE 19. PREPAID EXPENSES/ACCRUED INCOME

	GROUP		PARENT ENTITY	
MSEK	2011	2010	2011	2010
Prepaid expenses, other	25	25	24	24
Accrued income, network	287	252	287	252
Prepaid expenses, system operator	592	831	592	831
Prepaid expenses, Renewable electricity certificates	3	1	3	1
Prepaid expenses, Natural gas	4	6	4	6
Prepaid expenses, other	18	36	17	36
TOTAL	929	1,151	927	1,150

NOTE 20. LONG-TERM INTEREST-BEARING LIABILITIES

	GROUP		PARENT ENTITY	
MSEK	2011	2010	2011	2010
Liability to National Debt Office	2,131	1,252	2,131	1,252
Credit institutions	637	720	-	-
TOTAL	2,768	1,972	2,131	1,252

The liability to the National Debt Office is for the current loan parameter. Of the other external loans, a total of SEK 308 (391) 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 LIABILITIES - NON-INTEREST-BEARING

	GROUP		PARENT ENTITY	
MSEK	2011	2010	2011	2010
Contributions from land owners	476	415	476	415
Undistributed investment grants	196	74	196	74
Capitalized investment grants	47	-	47	-
Settled investment grants	-1	-	-1	-
Undistributed capacity charges	9	-	9	-
Capitalized capacity charges	686	-	686	-
Settled capacity charges	-11	-	-11	-
Advance payments from fibre optic customers	60	71	60	71
Advance Opto group company	-	-	1	-
Advances for IT licences	-	1	-	1
Advance payments from other customers	332	375	-	-
TOTAL	1,794	936	1,463	561

NOTE 22. PROVISIONS FOR PENSIONS

GROUP AND PARENT ENTITY (MSEK)	2011	2010
OPENING BALANCE	478	425
Pensions paid	-7	-9
Annual indexation of pension liability	32	24
Ditto provisions for payroll tax	7	6
Adjustment of liability and payroll tax due to change of calculation method (reduced interest rate assumptions)	27	32
BALANCE CARRIED FORWARD	537	478

NOTE 23. CURRENT LIABILITIES – INTEREST-BEARING LIABILITIES

	GROUP		PARENT ENTITY	
MSEK	2011	2010	2011	2010
Short-term part of long-term loan from credit institution	82	82	-	-
TOTAL	82	82	-	-

NOTE 24. ACCRUED EXPENSES/PREPAID INCOME

	GROUP		PARENT ENTITY	
MSEK	2011	2010	2011	2010
Accrued expense, balancing power	388	672	388	672
Accrued expense, primary regulation	26	17	26	17
Accrued expenses, power reserve	14	26	14	26
Accrued expense, energy compensation	42	42	42	42
Accrued expense, transmission losses	143	144	143	144
Accrued expense, disturbance reserve	7	5	7	5
Transit compensation	48	37	48	37
Accrued staff expenses	29	41	29	41
Accrued leases on fixed assets	17	12	17	12
Accrued maintenance expenses	16	16	16	13
Accrued contingency expenses	19	31	19	31
Accrued expenses, natural gas	4	4	4	4
Accrued expenses, other	26	13	19	9
Prepaid Telecommunications revenue	10	14	10	14
Prepaid income, other	0	4	0	3
TOTAL	789	1,078	782	1,070

NOTE 25. CONTINGENT LIABILITIES

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	2011	2010	2011	2010
Within one year	270	221	343	294
Later than one year but within five years	637	632	781	848
Later than five years	482	545	482	545
TOTAL	1,389	1,398	1,606	1,687

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

07. PROPOSED DISPOSITION OF PROFITS

The Government's share of non-restricted equity amounts to SEK 4,168 million, of which the profit for the year amounts to SEK 610 million.

Of the parent entity's non-restricted equity of SEK 3,916 million, of which the result for the year amounts to SEK 545 million, it is proposed that SEK 378 million is allocated for dividend in accordance with the dividend policy and that the surplus be carried forward.

The board suggests that the parent entity's income statement and balance sheet as well as the Group's income statement and balance sheet are adopted for 2011.

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 17 februari 2012

Bo Källstrand
CHAIRPERSON

Anna-Stina Nordmark-Nilsson
DEPUTY CHAIRMAN

Mikael Odenberg
DIRECTOR GENERAL

Christer Samuelsson

Karin Stierna

Björn Carlsson

Bo Normark

Sture Törnstam
STAFF REPRESENTATIVE ST

Sara Jonsson
STAFF REPRESENTATIVE SACO

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

REPORT REGARDING THE ANNUAL FINANCIAL REPORT WITH THE CONSOLIDATED ACCOUNTS

The Swedish National Audit Office has audited the annual financial report with the consolidated accounts for the Public Utility Svenska Kraftnät and the Svenska Kraftnät Group for 2011, dated 17-02-2012.

The responsibility of the authority management for the annual financial report with the consolidated accounts

It is the management of the authority that is responsible for preparing an annual financial report with consolidated accounts that gives a true and fair picture according to the Annual Reports and Budget Documentation Ordinance (2000:605), as well as in accordance with instructions, appropriation directions 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 financial report with consolidated accounts that does not contain significant errors, whether due to irregularities or deficiencies.

THE AUDITOR'S RESPONSIBILITY

The responsibility of the Swedish National Audit Office is to express an opinion on the annual financial report with the consolidated accounts based on its audit. The Swedish National Audit Office has conducted the audit in accordance with the International Standards of Supreme Audit Institutions for financial auditing. 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 as to whether the annual financial report with the consolidated accounts contains significant errors.

An audit entails using various procedures to collect audit evidence relating to amounts and other information in the annual financial report with the consolidated accounts, and whether the management's administration adheres to applicable regulations and special decisions. The auditor selects the procedures that are to be used through, among other things, assessing the risks of significant errors in the annual financial report with the consolidated accounts, whether they are due to irregularities or deficiencies. 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 financial report with the consolidated accounts in order to give a true and fair picture. The purpose is to formulate audit 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 financial report with the consolidated accounts.

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

STATEMENT

In the view of the Swedish National Audit Office, the annual financial report with the consolidated accounts 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 results and financing for the year in accordance with the Annual Reports and Budget Documentation Ordinance (2000:605), instructions, appropriation directions and other rulings relating to the public utility.

Henrik Söderhielm is the responsible auditor and has made the decision on this matter. Ulrika Meyer who was in charge of the assignment, presented this report.

Henrik Söderhielm, Ulrika Meyer

THE BOARD OF DIRECTORS

Bo Källstrand
CHAIRPERSON

Born 1949, appointed 2009.
County Governor in Västernorrland County.
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.
CEO and owner Regina AB, board member of Diös fastigheter AB and Sveaskog AB, Goodtech ASA, Softronic AB, Feelgood AB and Landsbygdsakademin.

Mikael Odenberg
DIRECTOR GENERAL

Born 1953, appointed 2008.
Former cabinet minister, member of the Government's Emergency Management Committee, member of the Swedish Agency for Government Employers, Total Defence's executive group, Royal Swedish Academy of War Sciences, dept. V and the Royal Swedish Academy of Engineering Sciences Business Executives Council.

Christer Samuelsson

Born: 1954, appointed 2001.
CEO and partner, Trinovo Sensa AB.

Karin Stierna

Born 1970, appointed 2007.
Municipal Commissioner in Strömsund.

Björn Carlsson

Born 1952, appointed 2010.
CEO Ackkärrs Bruk and consultant in investment banking.

Bo Normark

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

Sture Törnstam
EMPLOYEE REPRESENTATIVE ST

Born 1947, appointed 2007.

Sara Jonsson
EMPLOYEE REPRESENTATIVE SACO

Born 1982, appointed 2010.

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