SVENSKA KRAFTNÄT
ANNUAL REPORT

JANUARY–DECEMBER 2012:

THE INVESTMENTS IN 2012 DECREASED BY ALMOST SEK 396 MILLION TO SEK 2,375 MILLION

–

NET INCOME FOR THE YEAR AMOUNTED TO SEK 923 MILLION

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THE GROUP'S REVENUES INCREASED BY ALMOST 5 PERCENT

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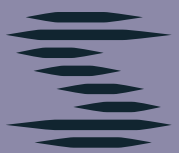
RETURN ON ADJUSTED EQUITY AMOUNTED TO 9.5 PERCENT



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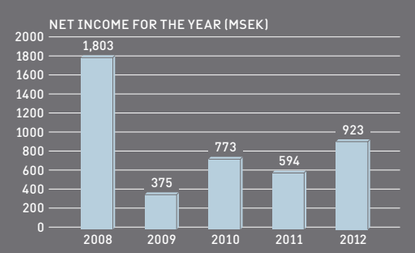
FINANCIAL OVERVIEW

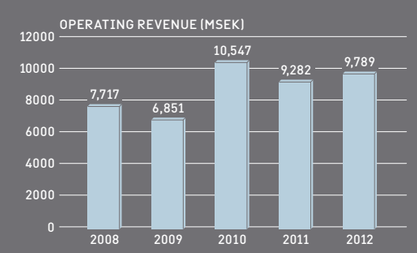
2012 IN BRIEF

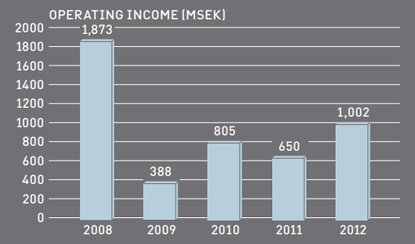
OPERATIONS DURING THE YEAR		2012	2011
Energy supplied to the grid	TWh	123.5	113.5
RELIABILITY PERFORMANCE			
Disturbances in the national grid	Number	202	192
Disturbances with power failure	Number	3	9
Energy not supplied (ENS)	MWh	7	42
Power not supplied (PNS)	MW	23	235
FINANCIAL FACTS			
Group operating revenue	MSEK	9,789	9,282
Consolidated profit	MSEK	923	594
Return on adjusted equity *	%	9.5	6.1
Debt/equity ratio	%	30.4	37.4
Investments	MSEK	2,375	2,771
Total assets	MSEK	15,932	15,541
EMPLOYEE INFORMATION			
Employees	Number	449	399

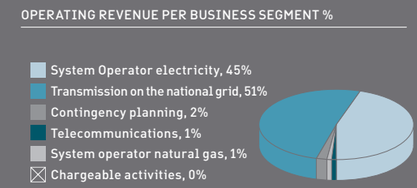
* after tax equivalence 26.3%

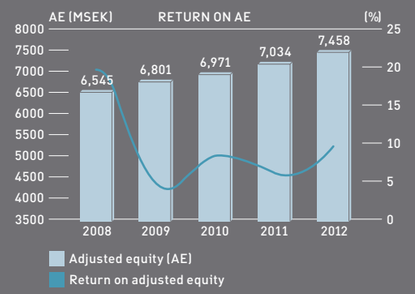
ECONOMIC DEVELOPMENT

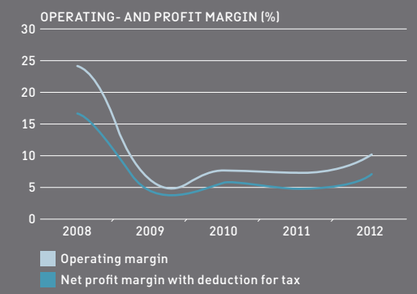












DIRECTOR GENERAL'S STATEMENT

In recent years Svenska Kraftnät's investments have doubled. In the coming years there will be another doubling, which represents an annual investment rate in the order of SEK 5 000,000,000.

There are several driving forces behind the rapidly increasing volume of investment. The most important ones being the Government's and the EU's high climate change policy ambitions, and the continued market integration in Scandinavia and Europe.

In order for Svenska Kraftnät to be able to meet the investment needs, intensive business development and work with improved planning, procurement, project management, monitoring and documentation is underway. The number of employees has increased from 400 to 450 during the year. In order to prioritize operations and investments in the short-term and to design Svenska Kraftnät's line and project organisations correctly, it is necessary to know where the utility is heading in the long-term. During the year, we have given high priority to establishing a more long-term plan for the national grid.

PERSPECTIVE PLAN 2025

Last autumn we presented for the first time ever, a longer-term planning document. Perspective Plan 2025 describes how Svenska Kraftnät views the development of the national grid in ten to fifteen years and the priorities we want to have in that period.

The Perspective Plan 2025 is not only a completely necessary foundation for the continued development of Svenska Kraftnät's organisation. It is also a way of increasing transparency in the utility's grid planning and to provide the electricity market's various stakeholders the opportunity to influence this. The perspective plan has been circulated during the winter and has received a very good reception. The respondent's views are now clear and in the spring the Board will decide upon the plan. The decision will also be the starting point for internal work with detailed analyses and feasibility studies.

The Perspective Plan 2025 is not a detailed development plan for the grid; it paints the future in broad brush strokes leaving many questions unanswered. In 2013, the intention is that we will specify the investments included in the Perspective Plan 2025

My ambition is that this work will mean that we can establish a ten-year grid development plan for Svenska Kraftnät by the end of the year. The idea is that this ten-year plan will then be updated every other year. Thus, we will have established an orderly and transparent planning process that links to the recurring ten-year grid development plans, taken at European level and to the three-year investment and financing plans that Svenska Kraftnät submits each year to the Swedish Government.

SOME KEY EVENTS

An important step in Nordic integration was taken when a new cable over the southern Gulf of Bothnia was commissioned. The new connection, Fenno-Skan 2, increases trading capacity between Sweden and Finland by 40%. Meanwhile, work continues on schedule to connect Sweden and Lithuania. Along with Estlink 1 and 2, the new connection NordBalt will link the emerging Baltic electricity market with the Nordic. During the year and as part of this integration the Estonian and Lithuanian national grid operators became partners in the electricity exchange Nord Pool Spot. The Latvian national grid operator stands next in turn. During the year the Government granted concessions for SydVästlänken - from Närke to Skåne - and thus we were able to start this important project. This is Svenska Kraftnät's largest project ever and is important for both the reliability of the national grid and the electricity market.

When the connection is put into operation in about two years, we will have a large increase in transmission capacity to southern Sweden. It will significantly reduce the risk of having different electricity prices in southern and central Sweden.

A YEAR OF BIDDING AREAS

We now have about one year experience of the division of the Swedish electricity market into four separate bidding areas in the Nordic electricity exchange. It is quite clear that this division into electricity areas has enabled the market to work better. Before the reform came into force water reservoirs were overflowing and the Swedish electricity price low. At the same time availability was poor in the nuclear power plants at Ringhals and Oskarshamn. This meant transmission constraints on the network and resulted in a strained situation in southern Sweden. The situation worsened because of exports to the continent where electricity prices were higher and Svenska Kraftnät was forced to request the start of the oil condensing power plant in Karlshamn.

After division into bidding areas, this same deficit in southern Sweden meant the price of electricity in Malmö (SE 4) increased. Thus, exports turned into imports. The electricity market was able to self-manage grid transmission limitations without interventions from Svenska Kraftnät. In calendar year 2012, the average difference between the spot price of SE4 and bidding area Stockholm (SE3) was a modest 1.7 öre per kWh. It is important to note that the difference mainly occurred during the summer, when demand and prices are low. During the winter months where demand and prices are generally higher, the price difference between SE3 and SE4 was almost nonexistent.

The cost of securing electricity price contracts decreased as the actors became accustomed to the new market. In early 2012 it was more than five öre per kWh more expensive to secure prices on a one-year contract in SE4 compared with SE3. At the end of the year, this price difference fell to 1.2 öre per kWh.

FINAL WORDS

During the year, new records were added or attained. Never before has so much electricity, more than 161 TWh, been produced in Sweden. Nuclear power was readily available, wind power hit a new production record of over 7 TWh and hydropower was very close to doing the same with 78 TWh. Production records were also broken in Norway.

Overall, this led to a favourable Scandinavian power balance. Swedish net exports have never been as high as in 2012, 20 TWh. Meanwhile, the domestic electricity price was low - a reduction of one-third compared with 2011 and half compared with 2010.

Svenska Kraftnät's revenues and expenses are largely dependent on fundamental external factors that are difficult to forecast. The wet year of 2012 with its high water levels in reservoirs resulted in a very high transmission rate on the grid, which generated a large income from capacity charges. This also resulted in higher losses but this year's low electricity prices affected the results positively, because the losses exceeded the hedged volumes and the remainder was purchased on the spot market. More grid customers exceeded their capacity subscriptions, which also increased revenue from capacity charges. For calendar year 2012 Svenska Kraftnät thus shows a total surplus of about SEK 923 (594) million , which greatly exceeds the Swedish Government's demand for rate of return.

Stockholm, February 2013
MIKAEL ODENBERG

THIS IS SVENSKA KRAFTNÄT

Svenska Kraftnät is a state-owned public utility responsible for managing and developing the national grid for electricity - the motorway of the Swedish electricity system. The grid comprises 15 000 km of 400 kV and 220 kV power lines, approximately 150 transformer and switching stations, as well as connections to neighbouring countries. Svenska Kraftnät is the system operator for electricity and ensures that there is a continuous balance between the electricity fed into and withdrawn from the grid. 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. The utility 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 turn of 2012/2013 Svenska Kraftnät had 450 permanent employees, most of who work at headquarters in Sundbyberg. Sundbyberg houses the national control room where the grid is monitored and controlled around the clock. There are also offices in Sundsvall and Halmstad and an operations centre in Sollefteå. Several hundred people are employed on contract around the country. In 2012, turnover amounted to just under SEK 9.8 billion with total assets of more than SEK 15.9 billion. The business is regulated by legislation and an annual letter of governance from the Swedish Government. The Government also appoints Svenska Kraftnät's Board and Director General. The utility is organised into nine departments. In addition, there are six councils for cooperation with various external stakeholders. Svenska Kraftnät has two subsidiaries and five associated companies, including the Nordic electricity exchange Nord Pool Spot, based in Oslo.

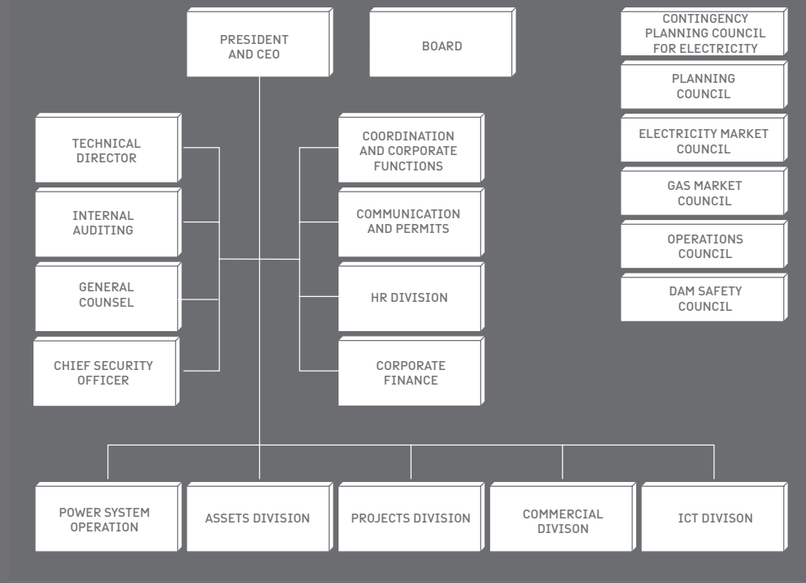
ACTORS IN THE ELECTRICITY MARKET

Svenska Kraftnät's network customers are companies that own plants connected to the grid - large manufacturing facilities and regional electricity networks. A prerequisite for the balance between feed-in and withdrawal of electricity is that production planning is based on a forecast of consumption. These forecasts are conducted by Svenska Kraftnät in cooperation with the balance providers. Balance providers are the companies that under contract with Svenska Kraftnät have the responsibility to ensure that there is a balance between feed-in and withdrawal of electricity. Electricity generators and electricity suppliers are examples of balance providers. Each electricity user must have a balance provider company responsible for the electricity user's consumption. In practice, each supplier ensures that there is one. Electricity suppliers can themselves be balance providers or assign 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.

The actors in the electricity market also include system operators in other countries. Svenska Kraftnät works closely with the system operators in Norway, Finland and Denmark to run the electricity system efficiently. International cooperation is constantly evolving and has a gradually stronger European focus. All European grid operators work together in the organization ENTSO[1].

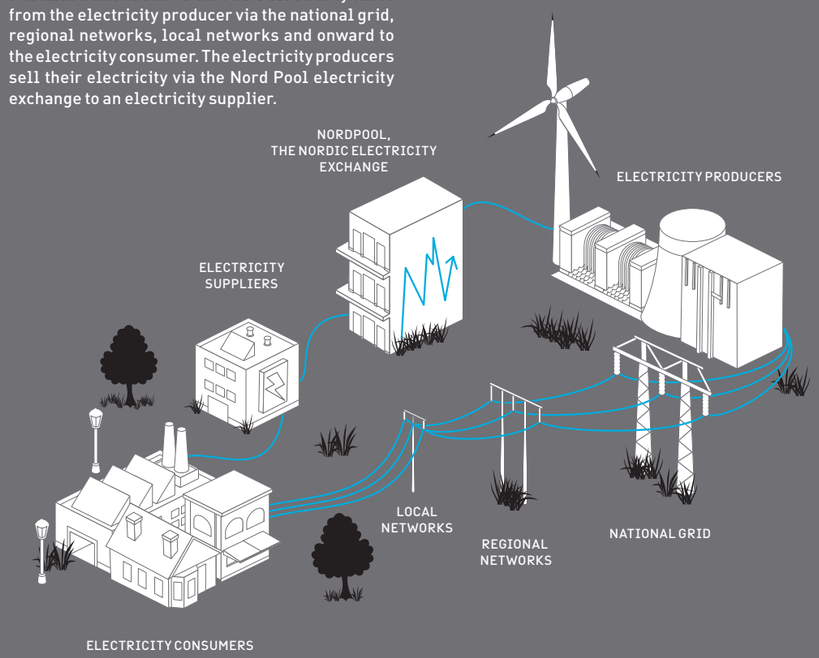
[1] European Network of Transmission System Operators for Electricity (ENTSO-E).

ORGANISATION CHART



THE ROUTE ELECTRICITY TAKES

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



VISION AND VALUES

»A LEADING ROLE FOR A SECURE AND SUSTAINABLE ENERGY SUPPLY«
This is Svenska Kraftnät's vision. It expresses the utility's 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 to connect wind power and other renewable electricity. Svenska Kraftnät will provide a national grid that is reliable and ensures personal safety. It 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 core values are:

> Development
> Responsibility
> Efficiency
> Clarity

DEVELOPMENT
The rapidly increasing rate of investment means that Svenska Kraftnät is facing new challenges. Svenska Kraftnät will develop, renew and expand the national grid. It will handle new technical solutions - enhanced DC technology (HVDC / VSC) and effective regulation to deal with wind and smart grid projects including everything from new hardware to new market solutions. Svenska Kraftnät will maintain a high level of expertise and be active in European collaboration. To achieve this Svenska Kraftnät must be development-oriented, curious, proactive and willing to change.

RESPONIBILITY
Svenska Kraftnät has a clear social responsibility, both in pursuing its central role and as a Government agency. This includes responsibility for the important infrastructure of society, 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 continued high rate of investment underlines the requirement for efficiency. Svenska Kraftnät should not simply do things in the right way, but must also do the right things. Good planning throughout the organisation, clear work processes and a well-adapted organisation are preconditions for accomplishing these tasks.

CLARITY
Svenska Kraftnät should treat the public, customers, stakeholders and the media in an impartial and objective manner. Svenska Kraftnät must be both transparent and accessible. It must be clear in its communication and message – both internally and externally. A clear and sensitive leadership, straightforward communication and clear positions must be our hallmark.

IMPORTANT EVENTS IN THE BUSINESS

JANUARY
Energy Minister Anna-Karin Hatt inaugurates Fenno-Skan 2, the new direct current link between Sweden and Finland. The connection increases transmission capacity between Finland and Sweden by 40 percent.

FEBRUARY
The Energy Market Inspectorate recommends that the Government provide Svenska Kraftnät concession for a new 400 kV transmission line between Hallsberg and Barkeryd (Nässjö). The line forms the northern branch of the SydVästlänken.

Svenska Kraftnät delivers the investment plan for 2013 - 2015 to the Government. The utility's investments are estimated to be SEK 15,800 million during the three year period.

MARCH
Svenska Kraftnät organises the annual meeting of customers and stakeholders. The programme focused mainly on wind power and experience of bidding area reform.

APRIL
Svenska Kraftnät is one of the 20 authorities out of a total of 192 to receive full marks from the Environmental Protection Agency's annual ranking of environmental management by public authorities.

Svenska Kraftnät is granted the concession for the southern branch of SydVästlänken from Barkeryd (Nässjö) to Hörby. The southern branch of SydVästlänken will contribute to a more secure electricity supply in southern Sweden, closing the gap in price between southern Sweden and the rest of the country.

Svenska Kraftnät's consultant and contractor day with invited guests takes place in Stockholm.

MAY
The Board make several new investment decisions. The decisions include among other things a revised route for the Ekhyddan – Barkeryd project, rebuilding of stage three of the grid line between Stackbo and Hamra, new submarine cables to Denmark, a new power line between Hagby and Anneberg in the Stockholms Ström project and a new power line between Skogssäter and Stenkullen. The Board also decides on two stations, rebuilding of Tuna and a new station in Hagby. Even new operational monitoring communication is on the list of decisions.

JUNE
The Government granted a concession for the northern branch of SydVästlänken between Barkeryd (Nässjö) and Hallsberg. This means that Svenska Kraftnät has the go-ahead to begin work on the construction of both the northern and southern branch of SydVästlänken.

The capacity reserve is procured for winter 2012/2013. Svenska Kraftnät will dispose of a total of 1, 719 MW from 16 November 2012 to 15 March 2013.

Svenska Kraftnät begins to actively participate in social media.

JULY
The new 400 kV overhead line between Stenkullen and Lindome in Västra Götaland is put into operation. The power line is 32 km long and improves Gothenburg's electricity supply.

Svenska Kraftnät signs a contract with Sirti S.p.A and Technoline S.R.L. for the construction of the DC line between Nässjö and Värnamo. The line is part of the SydVästlänken project.

AUGUST
The Estonian and Lithuanian national grid operators, Elering and Litgrid become shareholders in electricity exchange Nord Pool Spot, Europe's largest electricity market.

Svenska Kraftnät gives the annual report on the Swedish power balance to the Government.

The report details how the power balance in the Swedish electricity market has been maintained during the past winter and provides a forecast for the coming winter.

General Mikael Odenberg cuts the first sod for SydVästlänken. This is done outside Ljungby in Småland along the southern branch. Landowners, local residents, Municipality and County representatives as well as the media are invited.

SEPTEMBER

SwePol Link, the connection between Sweden and Poland, which had previously been owned indirectly through subsidiaries, is now incorporated in Svenska Kraftnät.

Svenska Kraftnät's Board decides to increase capacity charges and lower usage fees from 1 January 2013.

The Perspective Plan 2025 is sent out for consultation. This is the first time that Svenska Kraftnät has presented the development of the Swedish national grid for the next fifteen years as well as setting out the utility's priorities.

OCTOBER

The first part of Svenska Kraftnät's emergency exercise 2012 is conducted over two half days with over 100 participants from all the Nordic countries. The exercise focuses on strategic management, coordination and cooperation in restoring electricity after a major event.

NOVEMBER

Svenska Kraftnät, Statnett and Fingrid give the Finnish national grid operator the task of taking over the main responsibility for national balance settlement and create a common Nordic settlement unit. A company will be established to manage the balance settlement in Sweden, Finland and Norway.

DECEMBER

Svenska Kraftnät signs a contract with SPL Powerlines Sverige AB for the construction of the overhead line between Hallsberg and Bona north of Motala, which is part of the SydVästlänken's northern branch.

The Board decides on a new method of automatic frequency restoration reserve (FRR-A[2]) from 1 January 2013.

[2] Automatic Frequency Restoration Reserve (FRR-A).

REPORT OF THE BOARD OF DIRECTORS 2012

01. STRUCTURE AND CONTROL

THE SVENSKA KRAFTNÄT PUBLIC UTILITY

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 in a business-like way. 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 (2011:1480).
- 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.
- 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.
- 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.
- Every two years produce a report, to the Swedish Civil Contingencies Agency, reviewing European potential critical infrastructures in the electricity sector and assessing the need to strengthen their protection.

In relation to dam safety,Svenska Kraftnät will:

- 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 (2011:13) 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 and is responsible for deciding how the internal organisation will be designed and staffed. The Svenska Kraftnät Group consists of a parent company, two subsidiaries and five associated companies in Sweden and Norway. The largest associated company is Nord Pool AS with its head office in Oslo[3].

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 beyond control environment.

- Control environment is the utility's environment for internal control . The utility's values reflect the values that guide our employee's actions. The organisation's leaders must be able to motivate, inspire and be good role models. Regular activities to develop the skills of managers and employees are conducted. There are also policies, guidelines and instructions that guide and support managers and employees in their daily work.
- Risk assessment, which entails identifying and evaluating risks that the goals of the operation cannot be fulfilled, will be identified and assessed. Svenska Kraftnät annually identifies general risks in the utility in conjunction with the business plan. An action plan is developed to manage the risks identified. Risk assessment is also an integral part of the utility's project work and line operations, such as working environment. Even in this area activities are found to manage the risks identified.
- Control activities details which controls have been selected to manage the risks that have been identified. There is a comprehensive policy and guidelines for risk management at Svenska Kraftnät. Control measures in financial statements include clear decision-making processes for significant decisions as well as profit analysis. In addition, the controls that are performed are both manual and automated. They include procedures for ensuring the existence of assets and liabilities and that the assets, liabilities and financial transactions have been correctly recorded. Training and skills policies are also included in the utility's control activities.
- 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 as well as meetings and email. The Board receives information on working practices from the Director General and the Audit Committee in order to ensure internal governance and control. Examples of external communication are reporting to other authorities and external financial reporting. There is also an established policy for communication and dealing with the press. The website is an important part of the utility's communication. Here annual reports, interim reports and other documents that are available to the public are published.
- 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.

[3] See Section subsidiaries and associate companies for more detailed information.
[4] See section above on governance of the Group.

Monitoring of targets and risks within operational planning is performed quarterly with an annual summary in February after the end of the fiscal year. In other areas monitoring is performed annually, according to the respective project and mission plan or by appointment for individual tasks. The internal auditor reports findings regularly to the Director General and to the Board and its Audit Committee. External auditors also conduct special audits of business areas.

Svenska Kraftnät's Board has an Audit Committee. It is headed by the Deputy Chairman and prepares the annual internal audit plan as well as questions on risk assessment, internal control and financial reporting.

ACTIVITIES DURING 2012

In 2012, the utility has worked with internal governance and control as described in the phases above. The risk assessment carried out and followed up has primarily been at an overall level of operational planning, ongoing projects and working environment. Activities have also taken place to improve the utility's work in the areas where the National Audit Office made observations during its audits. In essence, these observations touched on the annual accounts, fixed assets, purchasing and procurement, payment procedures, as well as the regulation of internal governance and control.

During the year, planning has taken place to launch a more comprehensive review of how the utility works with internal governance and control. This is part of the utility's ongoing efforts to improve and maintain a high level of internal governance and control.

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 and the accompanying risk analysis. The guidelines will ensure that the utility meets the requirements for the Ordinance on Internal Management and Control. The overall operations plan brakes up Svenska Kraftnät's mission instructions and appropriations into specific goals for the utility[5].

Participation has been the focus of the operational plan for 2013. This has permeated the work of management to individual employees of the units. The aim has been to get a better and broader connection to objectives under development.

The process includes developing long-term and short-term goals and to perform a risk analysis. The starting point is a vision and goals based on Svenska Kraftnät's mission, a market analysis and an analysis of internal conditions. Target areas are used to group goals. The targets show what the utility will focus on in the next few years. Market analysis and target areas together form the planning conditions, as decided by the Director General. This document is the first step in the planning process and aims to ensure that all operations are planned with the same starting points.

In addition to the development of the planning conditions, all parts of the operational planning are conducted at departmental and unit level. The goals developed for each department, which have been considered as more general, have been aggregated to a utility level.

Reporting of the attainment of goals and risk analysis has taken place quarterly at both departmental and 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. 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. Follow-up of all risks takes place in connection with quarterly reporting.

In 2012, many actions have been taken to limit risks. No new significant risks have been identified in 2012. This means that even before 2013, there are 20 identified significant risks listed in the "Risk analysis according to the Ordinance on Internal Management and Control" determined annually by the Board.

OVERALL OPERATIONS RISKS

Svenska Kraftnät's activities are of central importance for the Swedish electricity supply. They must therefore be regarded as being of particular social importance in both 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. This analysis is reported to the Cabinet Office and the Swedish Civil Contingencies Agency.

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, physical protection has been increased through better perimeter security. An investigation has even been conducted to identify the parts of the national grid most vulnerable to sabotage. Camera surveillance has been installed to monitor facilities, and important elements are equipped with alarms.

Svenska Kraftnät currently operates a large number of development projects for lines and stations. It takes a lot of resources and specific skills both internally and externally among the contractors, project managers and consultants engaged in the construction of stations and lines. To meet resource and skills shortages Svenska Kraftnät are hiring both contractors and many new employees. Work is ongoing to improve project governance, project management, monitoring and control.

FINANCIAL RISKS

Svenska Kraftnät is exposed to financial risks such as credit risks, currency risks, interest rate risks and liquidity risks. Management of these is regulated by Svenska Kraftnät's fiscal policy. The risks such as the price risks Svenska Kraftnät is exposed to through the procurement of network losses is handled through guidelines for the procurement of network 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 through work on conduct and a clear allocation of responsibility.

Svenska Kraftnät has an environmental management system to ensure and structure environmental work throughout the whole organisation. This is important for the utility to comply with environmental legislation and that environmental studies should not delay investment projects. In addition, the utility conducts environmental audits and environmental requirements are set in the procurement of construction and maintenance contracts. The utility works with training and communication internally to continually raise awareness of the environmental requirements the utility must comply with.

SUBSIDIARIES AND ASSOCIATE COMPANIES

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

SUBSIDIARIES

SwePol Link AB

The company has until 31 August, 2012 owned and managed the DC link SwePol Link between Sweden and Poland. On 31 August 2012 Svenska Kraftnät acquired 50% of the foreign connection. The other 50% was sold to the Polish grid company PSE S.A The owners of SwePol Link AB and its subsidiary SwePol Link (Poland) Sp z o.o. have decided to liquidate the company, since it is no longer active. The liquidation is expected to be completed during the first part of 2013.

Turnover in the SwePol Link Group increased to SEK 226 (337) million, of which SwePol Link AB turned over SEK 129 (238) million and the Polish subsidiary SEK 118 (99) million.

Svenska Kraftnät Gasturbiner AB

The company is wholly owned by Svenska Kraftnät, and has as its mission to operate and maintain the gas turbine plants that Svenska Kraftnät needs to manage disturbances in the power system. The company owns eleven gas turbines in Varberg, Norrköping, Trollhättan, Norrtälje and Göteborg with a combined capacity of 700MW.

Turnover amounted to SEK 81 (84) million.

Svenska Kraftkom AB

The company, which since 2003 has been non-operational, was sold in December 2012.

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, the so called electricity spot market. In 2012 the ownership structure was changed

[5] See the section on governance of the Group for the regulations governing Svenska Kraftnät's business.

and national grid operator Svenska Kraftnät and Statnett now own 28.78% each of the company. Energinet.dk and Fingrid each own 19.18% while Elering and Litgrid each own 2.04%.

Gross turnover amounted to NOK 90 000 (115 000) million and turnover to NOK 195 (145) million. The physical electricity spot trade on Nord Pool Spot amounted to 432 (316) TWh.

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 25 (32) million.

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

The shareholders are Svenska Kraftnät 50%, Vattenfall 25% and Vattenfall Eldistribution 25%.

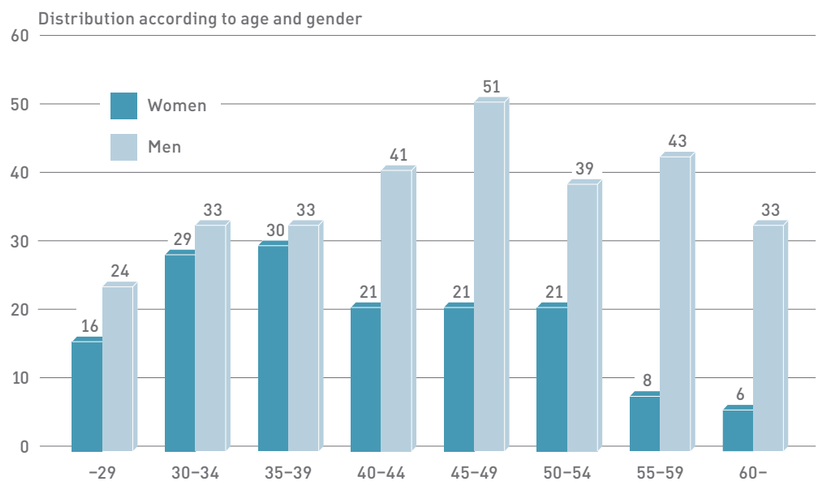
Turnover amounted to SEK 44 (44) million.

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 Det Norske Veritas with 12.5% of the company.

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 138 (110) million.

Resultat
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 23 (9) million of which SEK 9 million relates to results from the issue of Nord Pool Spot AS.



SHARE IN PROFITS FROM ASSOCIATED COMPANIES (MSEK)	2012	2011
Nord Pool Spot AS	21	6
Kraftdragarna AB	1	2
Others	1	1
TOTAL	23	9

EMPLOYEES

The number of employees, the workload and the need to use external resources is increasing rapidly. International work attracts increasing internal resources. New technologies and future tasks require new skills. The need comes at a time when several employees with key skills are approaching retirement.

Svenska Kraftnät has chosen to staff strategically important tasks with their own employees. As a client organisation the utility can not directly control what skills will be on the market and it is therefore an important challenge to work with consultants and contractors to maintain, for Svenska Kraftnät, important expertise in the industry. A growing and increasingly complex organisation places greater demands on a changed and developed way of working. This applies both in the planning and prioritization of projects and maintenance as well as internal communication channels and performing administrative support tasks. The need for efficient administration increases at the same rate, usually in IT-based support systems.

Major external changes and an expanded mission require a long-term and well thought out talent management based on the utility's requirements and needs. Svenska Kraftnät strives for a good balance of age, gender and ethnicity. The utility should also be a safe workplace with healthy employees.

There are growing demands on leaders to meet the challenges of the future. A clear, grounded and goal-oriented leadership is one of several key elements to create a good, efficient and value-driven workplace. To further strengthen Svenska Kraftnät's brand and attractiveness as an employer, the project "Sweden's Best Workplace" started. It has carried out activities in order to develop and retain employees and attract new skills. The goal is that Svenska Kraftnät will become one of Sweden's top ten employers by 2015. An employee survey conducted early this year showed that Svenska Kraftnät is already a very good employer.

The Group had 449 (399) permanent employees at the end of the year. There were 440 (388) full-time employees, of whom 294 (261) were men and 146 (127) were women. Staff turnover was 6.5 (6.0)%, including retirements. Sick leave during the year was 2.0 (2.1) %. The average age at Svenska Kraftnät is 44 (45) years.

Within a five year period it is estimated that forty employees will leave through retirement. Age profile has changed significantly over the past decade. From being an organisation with many older employees the age profile is now much more balanced.

KEY FIGURES, GOALS AND OUTCOMES

KEY FIGURES, GOALS AND OUTCOMES	OUTCOME 2011	GOAL 2012	OUTCOME 2012	GOAL 2013
Number of permanent employees	399	475	449	500
Full-time employment	388	460	440	480
Staff turnover in total	6.0%	<5%	6.5%	<5%
Staff turnover excluding retirement	2,8%	<2.5%	4.0%	<2.5%
Average age	45 år	<45 år	44 år	<45 år
Proportion of women	33%	>33%	33%	34 %
Proportion of female managers	44%	>40%	46%	>40%
Foreign background (SCB's def.)	12%	>13%	11%	>12%
Sick leave	2.1%	<2%	2.0%	>2 %
Long-term healthy employees (no days of illness)	62%	>62%	54%	>60 %
Proportion on long-term sick leave of over 60 days	0.8%	<1%	0.6%	<1%
Proportion of long-term sick that work full-time	1	0	1	0
New employees	48	85	83	70
Average age of new employees	37 år	35 år	38 år	<40 år
Proportion of women among the new employees	31%	>40%	36%	>40%
Job rotation, number of people	16	>25	25	>25

The most obvious deviation is in the number of employees where the lower figure compared to the goal is mainly due to a higher staff turnover and a delayed or lengthy recruitment processes. The proportion of employees with no sick days has decreased, which means that the proportion of short-term sick

has increased compared with long-term illnesses. Each department has reported the competencies that are essential for operations a couple of years in advance and what skills gaps need to be addressed. The report indicates where key person dependency in the organisation is high and the risks that may occur if the gaps are not filled.

Virtually all employees have completed an appraisal, where even individual development plans have been documented.

Each year, an analysis is conducted of the experience and skills that are held by the employees who will leave during the next five years. The analysis identifies the employees who have critical skills for the organisation which in some form must be transferred to younger employees. In 2012, 34 employees planned for such skills transfers, including 14 with critical skills for the organisation.

A trainee programme with six (seven) young engineers started on 1 September 2012. The programme lasts for one year and then continues with an internship abroad for some of the participants. Svenska Kraftnät has appeared in four (four) job fairs at selected colleges and has been a supervisor for eight (one) theses.

Svenska Kraftnät has continued efforts to be a healthy and safe workplace. During long-term illness the utility reacts quickly and after two weeks of sick leave, an action plan is drawn up between employee and manager. This helps virtually all long-term sick back to work. During the autumn risk assessment of the working environment was carried out throughout the organisation. Work with health and safety in the utility's investment project has been strengthened during the year. No serious accidents have occurred during the year at Svenska Kraftnät.

SICK LEAVE (%)	–29 years	30–49 years	+50 years	TOTAL
Women	0.7	3.2	3.0	2.8
Men	1.7	1.2	2.0	1.5
TOTAL	**1.2**	**1.9**	**2.2**	**2.0**

Svenska Kraftnät is perceived as a very gender and parent-friendly workplace where great account is taken of employees with different backgrounds. The proportion of women in the organisation is growing steadily and is now more than a third. An updated diversity plan was presented in the spring.

During the year, a new concept for leadership provision and leadership development has been implemented. Prospective managers will be more clearly identified and our leadership programme will provide the tools to manage different leadership dimensions. In another programme, new managers are trained in how Svenska Kraftnät is governed. During the year, managers have had an increasing amount of individual support in their leadership. Ten years ago, Svenska Kraftnät had only one female manager. Today, half of the Svenska Kraftnät's managers are women. Efforts to implement the organisation's values continued during the year and include both employees and managers.

Svenska Kraftnät interacts with other authorities through work coordinated by Arbetsgivarverket. Svenska Kraftnät is also Chair of Affärsverksdelegationen, where extensive experience sharing and development work is underway to strengthen the State as employer.

GOALS FOR SKILLS PROVISION 2013

A large number of new employees will be recruited. Svenska Kraftnät plans to have more than 500 employees by the end of 2013. The recruitment process and the induction of new employees should be further improved. Svenska Kraftnät will conduct a skills analysis, which will ensure that the whole organisation has the right skills to meet its goals and challenges. The analysis will also describe the actions required to meet the skills shift from older to younger employees.

During the year Svenska Kraftnät will clarify employee opportunities to pursue careers in the organisation, even in various specialist roles.

Managers are offered a leadership programme for both personal development and practical management support. The organisation will identify twelve possible managerial candidates and carry out a preparatory leadership programme for them.

Health and safety will be further developed, especially in construction projects. Working environment work will be followed up with risk assessments in every part of the organisation and the method for incident reporting will be strengthened.

Work on equality and diversity continues as planned.

An action plan has been developed for work on the organisation's values. Discussions will be held with the employees about Svenska Kraftnät's values. The ultimate goal is an internal publication that describes Svenska Kraftnät's values, leadership criteria and challenges from various internal perspectives.

Efforts to strengthen Svenska Kraftnät as an employer continue and measurements on this will be made among students and among the utility's own employees. Svenska Kraftnät will participate in four career days and offer at least seven degree projects.

Other goals for 2013 are shown in the table of Key figures, goals and outcome.

SKILLS PROVISION
GOALS 2014/2015

Efforts to strengthen Svenska Kraftnät's attractiveness as an employer will continue. The growing organisation means that provision for the supply of managers is becoming increasingly important. The long term goal is that all managers meet the demands placed on them by the leadership criteria. The working environment for employees and consultants and in construction projects will require more resources. Svenska Kraftnät depends on technical expertise to a high degree and is active in selected universities to attract young professionals to the organisation. The much appreciated trainee programme will continue to be a part of this work.

The overall operations plan includes the following long term objectives:

> Svenska Kraftnät is one of the ten most attractive employers by 2015.
> Svenska Kraftnät's values are well known and permeate the entire organisation.
> Svenska Kraftnät recruits, develops and retains employees and managers so that the right skills are in place to achieve its goals.
> Skills provisions goals are long-term and well thought out. They are based on the needs of the organisation and strive for balance in age, gender, and ethnicity
> Svenska Kraftnät's leaders are clear, responsible and deliver results on time.
> Svenska Kraftnät is an employer where equality and diversity are obvious.
> Svenska Kraftnät works actively with the working environment which contributes to a healthy and safe workplace.
> There are no accidents in the organisation's facilities and workplaces.
> Remuneration with results in focus where the remuneration and other conditions are set through dialogue between manager and employee.
> When important changes take place employees contribute ideas and participate actively in the process towards a finished proposal.

02. FINANCIAL GOALS AND INVESTMENTS

FINANCIAL GOALS

According to the letter of governance for 2012, Svenska Kraftnät 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 2012 was 9.5 (6.1) %, which means that the goal was accomplished. The return was 10.0 (5.9) % in the public utility.

The debt/equity ratio was 30.4 (37.4) %, which is in line with the letter of governance's ceiling of a maximum of 80%. Debt/equity ratio in the public utility was 32.5 (28.9) %.

The Government's dividend policy means that 65% of annual net income for the Group is allocated to the State. Additional dividend may also be allocated although this has not occurred during the year.

INVESTMENTS

Svenska Kraftnät is in a period of high investment. There are a variety of factors driving investment on the grid. The foremost is market integration which includes the removal of structural bottlenecks, the development of renewable electricity generation, capacity increases in nuclear power plants, the need for a more robust power supply and an increased need for reinvestment in existing facilities.

During the year Svenska Kraftnät has also worked with a long-term development plan for the national grid, the so-called Perspective Plan 2025. The plan, which was also sent out for consultation, presents how the development of the Swedish grid looks about fifteen years ahead. The plan will be completed in spring 2013.

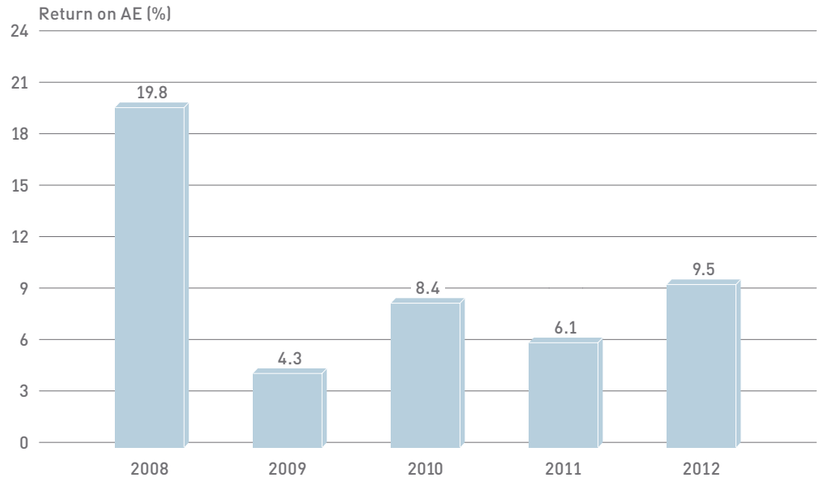
The strengthening of the grid that Svenska Kraftnät is implementing is divided into two main groups. One is the strengthening resulting from the mandatory requirement for utility companies to connect new electricity generation. The other is the strengthening resulting from Svenska Kraftnät's own analysis of transmission requirements in the grid and to neighbouring countries. Strengthening affects the main internal sections, i.e. the transmission capacity between the four Swedish bidding areas as well as connections abroad.

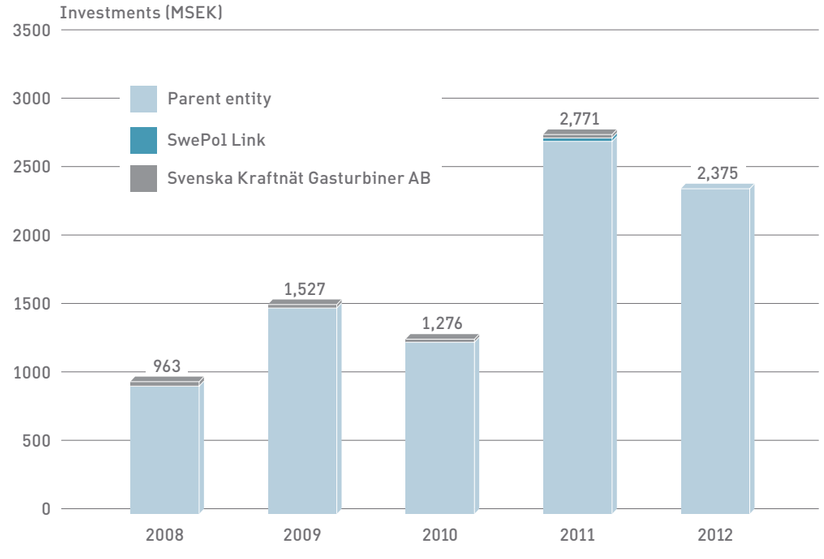
The Group's investments amounted to SEK 2,375 (2,771) million. New investments were SEK 2,020 (2,290) million and reinvestments SEK 355 (481) million.

Investments for the public utility have been reduced by SEK 507 million relating to internal Group transactions as a result of the sale of the DC link SwePol Link. The investments were allocated as follows in the Group's companies.

INVESTMENTS (MSEK)	2012	2011
PARENT ENTITY		
Grid investments	2,814	2,649
Fibre optic cable investments	25	11
Other intangible investments	40	62
TOTAL PARENT ENTITY	**2,879**	**2,722**
of which internal Group transactions	-507	-
SwePol Link	0	25
Svenska Kraftnät Gasturbiner AB	3	24
TOTAL	**2,375**	**2,771**

Prior to 2012, The Swedish Parliament approved an investment plan of about SEK 3, 000 million. However, inv estments in the grid have been lower than planned when the project schedules changed and shifted.





INCREASED MARKET INTEGRATION

The planned DC link SydVästlänken is Svenska Kraftnät's largest investment ever. It is estimated to be over SEK 11 billion and includes some twenty projects. Sydvästlänken aims to enhance the reliability and increase the transmission capacity of the grid to the south of Sweden and Norway. The capacity of the link will be 1, 200 MW.

NordBalt is a foreign connection to be built between Sweden and Lithuania. The aim is to connect an emerging Baltic electricity market with the Nordic and European. The connection also contributes to the improvement of the Baltic States' security of supply. NordBalt is a collaborative project between Svenska Kraftnät and the Baltic grid companies Litgrid and Latvenergo, and is a priority of the European Commission. Under the European Energy Programme for Recovery (EEPR), the Commission has allocated € 175 million to the project. The connection's capacity will be 700 MW.

The line between Stackbo and Hamra was built in the early 1950's. This means that it is not suitable for the transmission capacity required when the new line between Finland and Sweden (Fenno-Skan 2) is in operation and new wind power is connected. Thus, a new 400 kV line is being built in the existing line corridor and the old line is being demolished. During the year, two of the three phases have been completed, resulting in 55 km of new line.

A new 400 kV line was built between Stenkullen and Lindome to secure a reliable supply in the Göteborg area. The project is also the first step to increase the capacity of the so-called Västkustsnittet.

There is enormous potential for wind power in Dalsland, Bohuslän and Västergötland. There are plans for nearly 2, 500 MW of wind generation in the area between Borgvik and Stenungsund. To output this wind generation a new line between Skogssäter and Stenkullen and a new 400/130 kV grid connection in Loviseholm has been built. The substation in Skogssäter just west of Trollhattan thus becomes an even more important centre for the transmission of wind-generated electricity, electricity imports from Norway and the transfer of hydro electricity from northern Sweden. A total of nearly 1,700 MW will be transmitted through Skogssäter when all the wind power is in operation.

Investments in order to increase market integration and to prevent bottlenecks in the electricity grid during the year amounted to SEK 1,416 (1,795) million.

WIND POWER

In Markbygden, northwest of Piteå, a wind farm in a 450 km2 area is planned. When the facility is completed, the total wind power that can be delivered will rise to 3,000-4,000 MW. This substantial increase requires several new connection points on the grid. In 2012, work on the construction of the first connection point, a 400 kV station, in Råbäcken, commenced.

A new 400 kV substation has been built in Storfinnforsen to enable connection of a new wind farm of 1,000 MW. The station was commissioned on 19 January.

Close to Blaiksjön in Västerbotten a new 400 kV substation has been built to allow connection of a new wind farm of 225 MW. The station was put into operation on 23 April

Two wind farms are planned in the municipalities of Örnsköldsvik and Åsele. To take care of the electricity produced the substation in Hällby has been expanded. The station was put into operation on the 18 September.

A major expansion of wind power is taking place on Gotland. In 2012, Svenska Kraftnät plans for a connection of the electricity grid on Gotland to the Swedish national grid. The plans are for two 500-MW direct current links between the mainland and Gotland, as the two existing regional connections are insufficient for the planned expansion of wind power.

Outside Bräcke in Jämtland a wind farm is under construction. It is planned to consist of some 40 wind turbines with a total installed capacity of approximately 100 MW. During the year, therefore, the construction of a new 220 kV substation began outside Bräcke.

During the year, investments to adapt the grid in line with the planned wind power investments amounted to SEK 125 (70) million.

INCREASES IN OUTPUT FROM NUCLEAR POWER PLANTS

Power plant connections to the grid are adapted according to the original plant capacity. Since the 1980´s, nuclear power plants have gradually increased their supply of electricity. Extensive enhancements are required on grid connections to nuclear power plants so that their production of electricity can increase further. Svenska Kraftnät investigates how new grid structures at nuclear power plants will be designed. The utility will construct three new 400 kV lines from Forsmark nuclear power plant and a new line from the Oskarshamn nuclear power plant. A new substation, Råsten, will be built south of Forsmark. A new substation, Ekhyddan, adjacent to Oskarshamn was put into operation in July 2012.

Capital expenditure in respect to nuclear power increases during the year has amounted to SEK 21 (62) million.

CHANGED NETWORK STRUCTURE

The expansion of Stockholm has made it necessary to revise the network structure that provides the city with electricity. Expansion Project Stockholm Ström includes investments of SEK 5,630 million, of which SEK 4,600 million comes from Svenska Kraftnät. It is the Swedish grid owner Svenska Kraftnät and network companies Vattenfall and Fortum, which together with eight municipalities in Stockholm County that finance the fifty projects involving 20 municipalities. The aim is to provide an improved network structure, reduced energy losses and increased reliability. The new network structure means that a ring of 400 kV grids has been built around Stockholm. Meanwhile, 150 km of power lines have been torn down, freeing up land in line corridors for development. The three network owners get about one billion Swedish kronor in compensation for those liberated lands.

Investment in network structure changes during the year amounted to SEK 406 (286) million.

INCREASED NEED FOR REINVESTMENTS

The national grid's oldest parts are beginning to age. At the beginning of the 1950s the expansion of the 400 kV network began while the 220 kV facilities began even earlier. This means that the need for reinvestment is high. Plans for the renovation of stations and top power lines have been developed. Many stations are nearing the end of their technical lifetime. The intention is to build these on to modern double breaker substations. During the year, renovations have been completed in 42 (43) projects as part of reinvestment programmes.

There is currently an extensive inventory of all grid installations that will form the basis for the detailed programme of reinvestment in both lines and stations. Some of these programmes have been initiated during the year.

Reinvestments of lines and cables during the year amounted to SEK 91 (56) million and for stations to SEK 26 (3) million.

STATION RENEWALS

A number of grid stations are included in the Svenska Kraftnät plan for station renewals. Many substations are designed so that they do not meet today's requirements for reliability. Renewals take place as the facility approaches its technical lifetime. The plan is that the substations included in the plan will be rebuilt into double breaker substations. These renewals in combination with other measures in the grid, such as new power lines will significantly reduce the risk of disturbances in the grid.

Investments in station renewals during the year amounted to SEK 105 (239) million.

OTHER MAJOR INVESTMENTS

From time to time the voltage in the national grid exceeds the limit values set in certain points, which has both a negative impact on reliability, and can shorten the technical lifespan of electrical components. A total of eight reactors will be installed to improve the options of regulating the voltage within set limits. In 2012, the new reactors have been put in operation in Hallsberg, Morgårdshammar, Skogsätter and Strömma.

Other major investments during the year amounted to SEK 119 (180) million.

INFORMATION TECHNOLOGY

Svenska Kraftnät's system for control and monitoring of the grid was commissioned in 2001 and is nearing the end of its life. The system consists of three components - operational networks, operating computer networks and operation monitoring. Project HUDS aims to introduce a new operational monitoring that meets the requirements of the control room operations and today's high IT security requirements. The renewal of the operating network means that about 100 remote terminals need to be replaced, while some 80 have software upgrades. The renewal will result in all remote terminals having built-in support for IP-based communications. All the old remote equipment can therefore be scrapped.

Investments in information technology during the year amounted to SEK 66 (80) million.

TURNOVER AND NET INCOME

The group's operating revenue increased by five percent to SEK 9,789 (9,282) million. The increase is primarily due to increased revenue due to higher grid tariff. In addition, revenues from usage fees increased due to higher transmission on the grid during the year compared with last year.

Operating costs amounted to SEK 8,810 (8,641) million. The increase is primarily due to the cost of loss energy which increased substantially during the year due to higher volumes of loss in 2012 compared with 2011.

Svenska Kraftnät is still in a recruitment

phase and 52 (28) new full-time jobs have been added since December 2011. Staff costs rose as a result by SEK 56 million.

The high rate of investment in plant affects the Group's depreciation and amortization of tangible and intangible assets. Depreciation increased by SEK 51 million to SEK 716 (665) million.

The Group's results were affected by SEK -95 (-11) million of depreciation of which

SEK -83 million relates to depreciation of fixed assets attributable to the overseas connection SwePol Link.

Profit from associated companies amounted to SEK 23 (9) million, which is SEK 14 million higher than last year. Of this SEK 9 million is explained as a result of the issue of Nord Pool Spot on the occasion of the new partners, Elering and Litgrid.

Group operating income amounted to SEK 1, 002 (650) million, which is SEK 352 million higher than 2011. The Group operating margin was 10.2%, which is 3.2 percentage points higher than last year.

Net financial income/expense amounted to SEK -64 (-42) million, which is SEK 22 million less than last year. The main reason is a provision of SEK 53 million for indexing the Group's pension under the safeguarding rules the National Government Employee Pensions Board (SPV) has adopted. Last year's index was SEK 27 million.

Net income of the Group was 923 (594) million. Net profit margin minus standard tax amounted to 7.1%, up 2.3 percentage points compared with 2011.

The Group's return on adjusted equity was 9.5% (6.1), which is 3.5 percentage points above the return on equity target of 6%.

FINANCING

The parent entity finances operations with equity, capacity charges and loans from the National Debt Office. At the end of 2012, borrowings at the Debt Office were SEK 1854 (2,131) million and cash and cash equivalents amounted to SEK 140 (700) million in the parent entity. In 2012, Svenska Kraftnät had the right to take out loans in and outside the National Debt Office for a total of SEK 6000 million. From 1 January 2013 the amount increased to SEK 8,000 million.

A number of major projects such as Stockholms Ström and the connection of new generation to the national grid, have co-financing in the form of investment grants from the electricity producing companies and municipalities concerned. NordBalt is partly financed by investment subsidies from the EU. Received investment grants 2012 amounted to SEK 152 (230) million.

Financing also occurs through capacity charges. These, according to the European Parliament and Council Regulation No 714/2009 are used in relation to counter trading and financing of investments that are intended to enhance or maintain the transmission capacity of electricity in the national grid. In 2012 SEK 1,539 (685) million was used for co-financing of investments.

The subsidiary Svenska Kraftnät Gasturbiner AB is funded through loans from the parent company. Borrowings at year end amounted to SEK 99 (132) million.

COST-EFFICIENCY

Svenska Kraftnät's cost-efficiency 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 conducted in 2009 is so far the most recent completed study. Statnett, Fingrid and Svenska Kraftnät carried out activities in project operations to compare approaches and benefit from each other's experiences in such areas as risk management, monitoring and evaluation of contractors and project implementation. A new benchmarking study is initiated by ACER[6] the Electricity Stakeholder Advisory Group (AESAG) during the year and will be completed in spring 2013.

[6] Agency for the Cooperation of Energy Regulators (ACER).

03. BUSINESS SEGMENTS

Svenska Kraftnät's operations are divided into six business segments - Transmission of Electricity on the Grid, System Operator Electricity, System Operator Gas, Telecommunications, Chargeable Activities and Electricity Contingency Operations. Telecommunications is presented below divided into internal and external customer use. The segmentation of the table is a result of this. This chapter reports on operations carried out in these business segments.

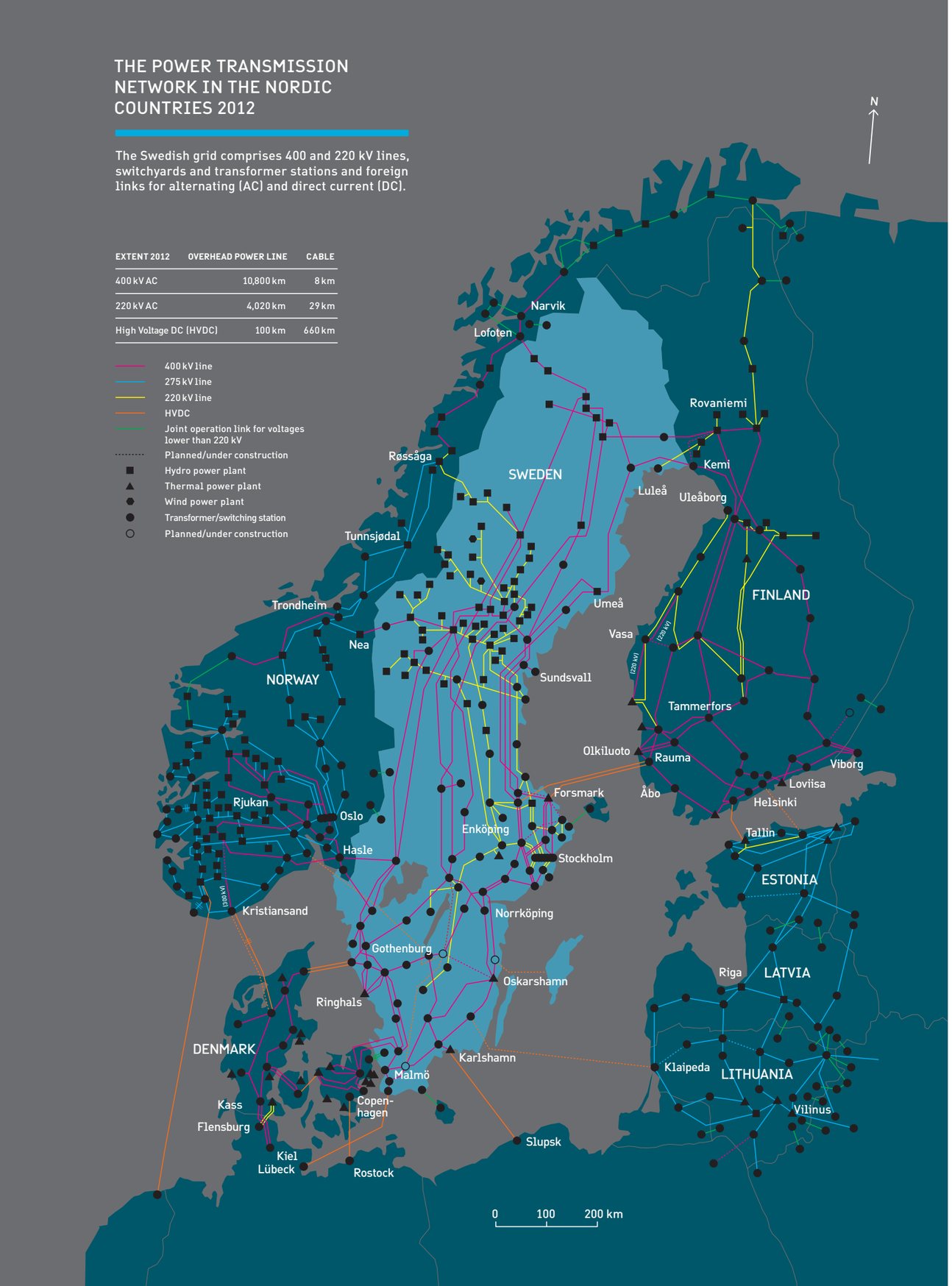
THE GROUP (MSEK)	OPERATING REVENUE		OPERATING INCOME		INVESTMENTS	
	2012	2011	**2012**	2011	**2012**	2011
Transmission of electricity on the national grid	**5,037**	4,517	**1,066**	883	**2,341**	2,724
System operator - electricity	**4,434**	4,390	**-96**	-287	**2**	16
Telecommunications - external	**56**	88	**4**	36	**-**	-
Telecommunications - internal	**55**	55	**2**	4	**32**	27
System operator- gas	**50**	41	**1**	3	**-**	-
Chargeable activities	**11**	10	**2**	2	**0**	4
Associated companies	**-**	-	**23**	9	**-**	-
Electricity contingency operations	**201**	236	**0**	0	**-**	-
Segment eliminations	**-55**	-55	**-**	-	**-**	-
TOTAL	**9,789**	9,282	**1,002**	650	**2,375**	2,771

THE GROUP (MSEK)	OPERATING REVENUE		OPERATING INCOME		INVESTMENTS	
	2012	2011	**2012**	2011	**2012**	2011
Transmission of electricity on the national grid	**4,814**	4,239	**1,038**	788	**2,847**	2,691
System operator - electricity	**4,445**	4,391	**-62**	-276	**-**	0
Telecommunications - external	**56**	88	**5**	36	**-**	27
Telecommunications - internal	**55**	55	**2**	4	**32**	-
System operator - gas	**50**	41	**1**	3	**-**	-
Chargeable activities	**11**	10	**2**	2	**0**	4
Electricity contingency operations	**201**	236	**0**	0	**-**	-
Segment eliminations	**-55**	-55	**-**	-	**-**	-
SUMMA	**9,577**	9,005	**986**	557	**2,879**	2,722

THE POWER TRANSMISSION NETWORK IN THE NORDIC COUNTRIES 2012

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

EXTENT 2012	OVERHEAD POWER LINE	CABLE
400 kV AC	10,800 km	8 km
220 kV AC	4,020 km	29 km
High Voltage DC (HVDC)	100 km	660 km



ELECTRICITY MARKET

Within the operational areas of Transmission of Electricity on the National Grid and System Operator for Electricity Svenska Kraftnät will work to transmit electricity in a cost effective way, with high reliability and availability. Certain revenues and expenses are common for these business segments. It concerns revenues and expenses for primary regulation and disturbance reserves. Their division is described in sections Transmission of Electricity on the National Grid and System Operator for Electricity.

Svenska Kraftnät is active in its efforts to promote competition in the electricity market based on the goals adopted by Parliament, the Government and EU. Examples of such work include: the ongoing market integration in northern Europe, and efforts to provide a common Nordic balance settlement to facilitate a common Nordic retail market.

The past year was the first full year that Sweden had been divided into bidding areas. During the year there was a relatively small price differential (1.7 öre / kWh) in the spot price of SE4 and SE3[7].

TRANSMISSION OF ELECTRICITY ON THE NATIONAL GRID

Network operations include the development, operation and maintenance of the national grid in Sweden. Svenska Kraftnät network customers are large electricity generation facilities, regional networks and some consumption facilities connected to the national grid. These are billed for access and use of the national grid.

The network tariff consists of a capacity and a usage part. The capacity charge covers Svenska Kraftnät's costs to operate, manage and expand the grid and is based on the customer's annual capacity subscription for injection and outtake of electricity at each connection point. The capacity charge is geographically differentiated, in that the fees for input are lowest in the south and then increase linearly with latitude to reach their highest values in the north. The reverse applies for outtake of power.

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

[7] See illustration Bidding areas in Sweden page 35.

NETWORK REVENUE (MSEK) GROUP	2012	2011
NATIONAL GRID FEES		
Capacity charges	**2,235**	1,971
Usage fees	**2,145**	1,757
TOTAL	**4,380**	3,728
Revenue from capacity charges	**26**	77
Transit revenue	**159**	209
Transmission on SwePol Link	**222**	337
Other network revenue	**154**	90
GRAND TOTAL	**4,941**	4,441

Before 2012, the capacity charge was increased by 5 % for bidding area 1 and 2 and by 7% for bidding area 3 and 4. Usage fees were increased by 10 % for the same period. The increases were primarily due to Svenska Kraftnät's expected higher costs of network investments (depreciation and interest), maintenance and purchase of loss energy.

Revenues from capacity charges indicate the amount of the received capacity charges used to cover the costs of counter trading of electricity, which is in accordance with Regulation (EC) no. 714/2009. The decreased revenues from capacity charges compared with 2011 thus reflect a lower cost of counter trading. Transit revenues are a reimbursement of power flows transiting the Swedish grid.

National Grid tariffs brought in SEK 4,380 (3,728) million. Of these, the capacity charges accounted for 51 (53) % and usage fees for 49 (47) %.

TRANSMISSION OF ELECTRICITY ON THE NATIONAL GRID	2012	2011
Energy fed into the national grid, TWh	**123.5**	113.5
Energy extracted from the national grid, TWh	**120.0**	110.8
Max power outtake, MWh/h (hour with highest power extracted)	**19,237**	18,484

During the year, the extracted energy was 120.0 (110.8) TWh. The increase is mainly attributable to a substantial increase in exports.

POWER SUBSCRIPTIONS FOR THE NATIONAL GRID	2012	2011
Input subscriptions, MW	**20,624**	21,443
Extract subscriptions, MW	**19,699**	20,494
Number of customers	**27**	28

Both input and extract subscriptions decreased compared with 2011. The number of customers connected to the grid slightly decreased and amounted to 27 (28). Since transmission volume during the year has been substantial, reduced subscriptions actually meant increased revenues when temporary national grid customers had to revise their subscriptions as they exceeded their original subscription.

TRANSMISSION LOSSES ON THE NATIONAL GRID	2012	2011
Energy losses, TWh	**3.5**	2.7
Percentage of extracted energy	**2.9**	2.4
Maximum power losses, MWh/h (hour with highest energy losses)	**789**	780

Energy losses on the grid amounted to 3.5 (2.7) TWh, which was significantly higher than last year. The increase can be explained by the fact that 2012 was a wet year, more so than 2011, with major hydroelectric production in northern Sweden and Norway. This led to a sharp increase in the amount of electricity transferred from north to south, facing a long transit through Sweden. These two factors have led to higher energy losses.

TRANSMISSION OF ELECTRICITY ON THE NATIONAL GRID (MSEK)	2012	2011
Operating revenue	**5,037**	4,517
Operating costs	**-3,971**	-3,634
OPERATING INCOME	**1,066**	883

The operating income for the transmission of electricity on the grid increased to SEK 1,066 (883) million.

Operating revenue increased by SEK 520 million compared with last year. The increase in operating revenue is primarily attributable to higher fees, which amounted to SEK 4,380 (3,728) million in 2012. In addition to the increase in both capacity charge/usage fees, usage fees increased to SEK 2,145 (1,757) million, due to higher transmission on the grid during the year compared with last year. In addition, revenues from temporary subscriptions amounted to SEK 110 million in 2012 compared with SEK 67 million in 2011 At the same time the proportion of capacity charges as revenue fell from SEK 77 million in 2011 to SEK 26 million in 2012.

Capacity charges increased during the year and amounted to SEK 1,756 (771) million. The increase in capacity charges was due to more extensive exports and the division of Sweden into bidding areas. SEK 26 (77) million of the year's resulting capacity charges was used to cover counter trading. In addition, SEK 1,539 (685) million used as investment grants for investments made in 2012. The remaining SEK 189 (9) million has been reclassified as long-term liability in the balance sheet to be used for investment grants next year. When capacity charges are used as a contribution to investments the same depreciation time connected to the plant linked to the contribution is activated. Thus, they help to reduce the annual cost of the plant.

Transit revenues during the year remained at a lower level compared with the previous year and totalled EUR 159 (209) million. The decrease is explained by the negative income relating to 2011 due to high reserve and late corrections from ENTSO which made the calculations. During the year, net exports increased, which in turn increased the transit through Sweden. In a similar way as revenues, corrections were made for the previous year, all of which resulted in a lower cost. Transit costs amounted to SEK 55 (91) million.

Operating expenses increased by SEK 337 million compared with 2011, primarily due to increased costs for loss energy by SEK 217 million. This in turn led to significantly higher loss volumes in 2012 compared with last year. Low energy prices had a positive impact when losses exceeded the hedged volumes and the remainder was procured on the spot market. The cost of energy compensation even increased by SEK 89 million due greater input from nuclear power on the grid. During the year maintenance costs also increased by SEK 88 million and staff costs by SEK 56 million. The main reason for the increase in maintenance costs is a breakdown of Fenno-Skan 2.

The cost of disturbance reserve amounted to a third of the transmission of electricity on the grid, SEK 63 (65) million for the business segment.

Operating margin for the business segment amounted to 21.1%, which is 1.6 percentage points higher than for the corresponding period 2011.

Investments in the operational area amounted to SEK 2,341 (2,724) million.

Svenska Kraftnät's extensive investment means that disturbances occur when new plant becomes operational. During such disturbances, where the availability of transmission capacity is affected, the negative impact of the market is minimized.

DISTURBANCES	2012	2011	2010	2009	2008
Disturbances on the grid, no.	**202**	192	224	153	157
Ditto with power failure	**3**	9	10	16	9
Energy not supplied (ENS), MWh	**7**	42	5	5	3
Power not supplied (PNS), MW	**23**	235	43	37	58

Reliability has been good in 2012. The number of disturbances on the grid was 202 (192) during the year, most of which were taken care of by automated technical systems without affecting electricity supplies. Disturbances in the grid that cannot be addressed in this way led to only small volumes of energy not being supplied (ENS). The total volume of ENS during the year is considered to be low. The ENS goal is 10 MWh per year.

Three (nine) disturbances caused interruptions in the supply of electricity customers. The energy not supplied was 7 (42) MWh. The number disturbances on the grid for the last five years are shown above. The total power not supplied (PNS) during the year amounted to SEK 23 (235) MW. The PNS goal is a maximum of 80 MW per year.

SYSTEM OPERATOR FOR ELECTRICITY

System Operator for Electricity involves overall responsibility for the Swedish electricity supply ensuring that the system functions reliably and the short-term balance is maintained between production and consumption of electricity. Svenska Kraftnät also works to ensure that Sweden has a satisfactory power supply and the risk of peak power shortages can be reduced. The business segments also include Ediel communication, which is the electronic exchange of information between players in the Nordic electricity market.

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 the 49.90 – 50.10 Hz range for more than 6,000 minutes/year. During 2012 the frequency was outside this range for 11,574 (12,756) minutes.

For several years, the frequency quality continuously deteriorated in the Nordic electricity system[8]. The deterioration of frequency quality depends largely on increasing volatility in the power system. The resulting changes have made it increasingly difficult to temporally synchronize production and consumption. Imbalances between production and consumption result in frequency changes. In order to meet the Nordic power system reliability targets it has been decided that from 1 January 2013 there will be an automatic reserve for secondary regulation in normal operation (FRR-A). This reserve system is new to the Nordic power system, although it is in place in other parts of Europe. FRR-A returns the rate to 50 Hz in three minutes and improves frequency quality.

BALANCE REGULATION

Svenska Kraftnät's revenues and expenses for acting as system operator are linked to balance regulation.

Balance providers have the financial responsibility to ensure that the same amount of electricity is put on the national grid as is taken out. Such a commitment is made by agreement with Svenska Kraftnät, called the balance provider agreement.

The basis for balance regulation is the approximately 35 balance providers that have signed agreements with Svenska Kraftnät regarding balance provision. The balance providers must continuously, every hour, plan for and achieve a balance between supply and consumption of electricity for the supplies they have balance responsibility for. Balance providers achieve this by planning their production, if they have one, or by trading, either with other balance providers or on Nord Pool Spot.

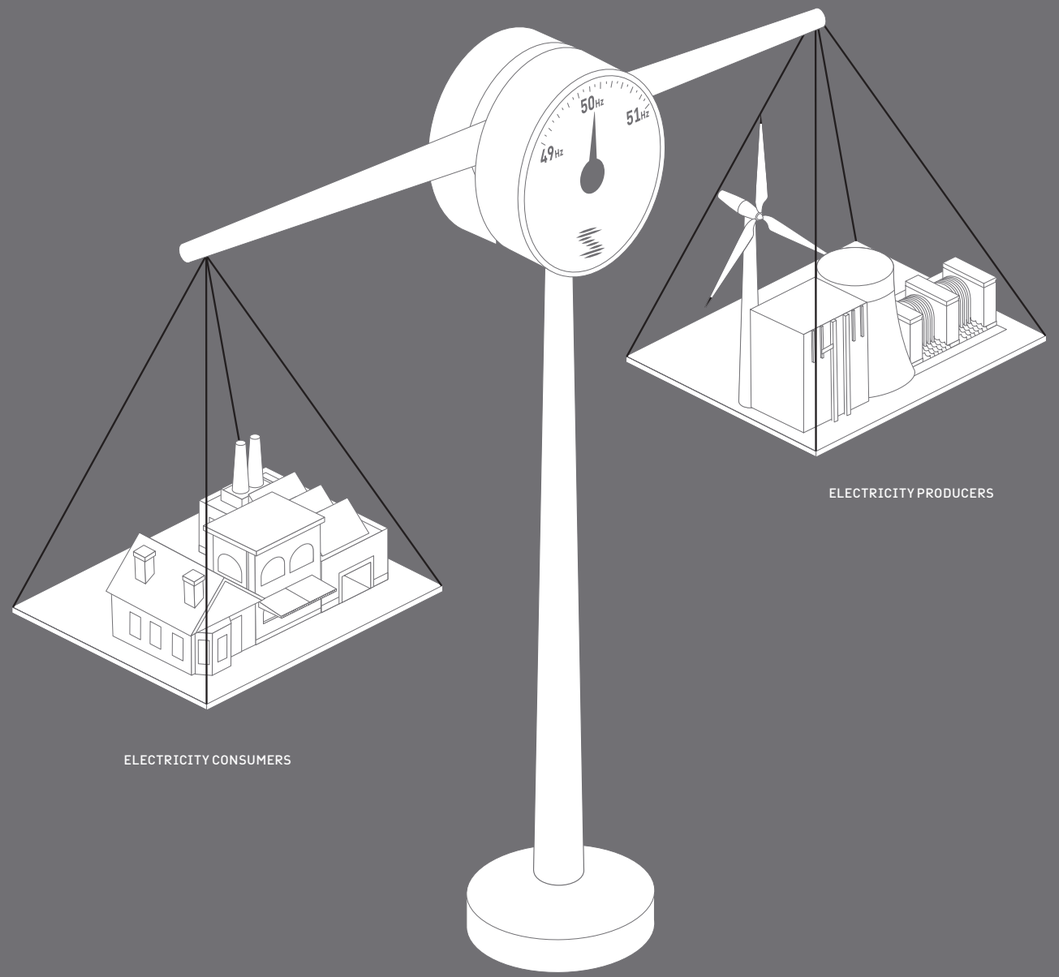
Svenska Kraftnät then conducts a balance settlement, a financial settlement of the imbalances that are shown when the measured values for production, trade and consumption

[8] Electric power systems where all electricity is connected to the same AC frequency and is affected by frequency variations simultaneously.

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.



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. This economic regulation occurs on two different balances, one for production - which controls that the balance provider has produced as much electricity as planned - and one for consumption - which tracks the forecast for consumption and trade.

FREQUENCY REGULATION

Frequency regulation occurs either automatically or manually. The automatic primary control consists of two products, frequency controlled normal operational reserve (FNR) and frequency controlled disturbance reserve (FDR). The manual secondary control returns the frequency to 50 Hz, whereby the automatic reserves are restored. FNR is set to maintain the frequency within the range of 49.9 to 50.1 Hz in normal operational conditions. FDR is set to ensure that the frequency does not drop below 49.5 Hz during disturbed operations. The manual secondary reserves are set to return the frequency to 50 Hz within 15 minutes.

The deterioration of frequency quality increases the risk of serious disturbances. This is due to the fact that the automatic reserves are increasingly used for the power system's increasingly normal frequency variations. When the frequency is under 49.9 Hz it is no longer the normal operational reserve (FNR) which is used to prevent further frequency deviations. Instead, the disturbance reserve (FDR) is used. This means in turn that, if there are disturbances on the power system at the same time there is a greater risk that these reserves are insufficient, which negatively affects reliability.

PEAK POWER RESERVE

According to the law on peak power reserve (2003:436) Svenska Kraftnät has responsibility to ensure a power reserve of up to 2 000 MW is available during the winter period. The (2010:2004) ordinance on the peak power reserve states the quantity to be purchased for each winter. For the period from mid-November 2012 to mid-March 2013, a peak power reserve of up to 1,750 MW is to be available.

The peak power reserve is created when Svenska Kraftnät signs contracts with electricity generators, suppliers and electricity users to create additional production capacity or make reduction in consumption a possibility. In 2012, a total of 1,719 (1,726) MW was procured, of which 1,255 (1 364) was production and 464 (362) MW was reduction in consumption. The peak power reserve will help manage electricity supply even in extreme situations that may arise in very cold weather. Peak power reserve is financed by a special fee for the balance providers.

THE PEAK POWER SITUATION

Hydro balances and water storage levels during the year were good in both Sweden and Norway. Operations on the grid have been stable, despite a couple of serious breakdowns in international connections. Fenno-Skan 2 was thus out of service between 17 February and 25 April due to anchoring damage. Fenno-Skan 1 has been out of operation since 20 August for the replacement of the control unit and then because of a fire in the valve hall.

The peak power reserve was activated for balancing reasons for a few hours in early February and at the beginning of December. On these occasions the power situation was judged so strained that the power balance could not be maintained without activating the peak power reserve.

BALANCE POWER BETWEEN BIDDING AREAS

Balance power, i.e. the difference between planned and physical flow, flowing between bidding areas is priced at the average price of the 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. In the same way, the system operators concerned make a profit when the balance power flows from a low price area to a high price area. In overseas connections the risks are shared between Svenska Kraftnät and the foreign system operators. Following the introduction of bidding areas this kind of balancing power even occurs in Sweden between each bidding area. In this case Svenska Kraftnät bears the whole risk.

Svenska Kraftnät has initiated a review of the adverse economic effects of the current Nordic practice of balancing power between bidding areas.

FINANCIAL INCOME

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

SYSTEM OPERATOR FOR ELECTRICITY (MSEK)	2012	2011
Operating revenue	4,434	4,390
Operating expenses	4,530	-4,677
OPERATING INCOME	-96	-287

Operating revenue in the group increased by SEK 44 million compared with 2011 and amounted to SEK 4,434 (4,390) million. Operating expenses decreased in 2012 due to a good supply of water with high reservoir levels throughout the Nordic region. The cost of balancing power between bidding areas amounted to SEK 104 million during the year, including SEK 40 million in Sweden. Revenues from the companies with balance responsibility for the state peak power reserve amounted to SEK 153 (95) million. These revenues are accounted in the winter months, from mid-November to mid-March. The cost of the peak power reserve is accounted in the same period and amounted to SEK 156 (102) million.

The cost of disturbance reserve was met by a third of the system operators for electricity and increased during the year to SEK 63 (65) million.

Operating income was SEK -96 (-287) million. The operating margin was -2.2% (-6.5), although this year's negative result is an improvement of 4.3 percentage points compared with last year. Both income and expenses are controlled in terms of gross electricity market price and the volume of balance power in each bidding area. Revenues and expenses in 2012 increased marginally from the previous year. Business segment's operating income improved primarily due to reduced costs for primary control. This is mainly due to the availability of water in reservoirs and the availability of nuclear power. The cost of primary control amounted to SEK 424 (651) million. SEK 318 (550) million was charged to the business segment System Operator for Electricity and SEK 106 (101) million to the business segment Transmission of Electricity on the National Grid[9].

Investeringarna inom systemansvaret för el uppgick till 2 (16) Mkr.

Investments in System Operator for Electricity amounted to SEK 2 (16) million.

TELECOMMUNICATIONS

Svenska Kraftnät's mission is to operate a cost-effective electronic communications network for telecommunications and data communications with a high level of security. The utility must also work to ensure that the telephone and communications network is available to market participants in a competitively neutral manner. Telecom is primarily for Svenska Kraftnät's internal needs. Additional capacity is provided on equal terms to the market through both its own direct sales and through cooperation within the associate company Trianglebolaget.

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 disturbance. With this in mind the telecommunications network is constructed with triple redundancy on several important sections of power line. To ensure operation in the event of a power failure, there is also a back-up system in the form of uninterruptable power supply.

Availability in the telecommunications network must be at least 99.95 % for double connection. The outcome throughout the year has been 100 percent.

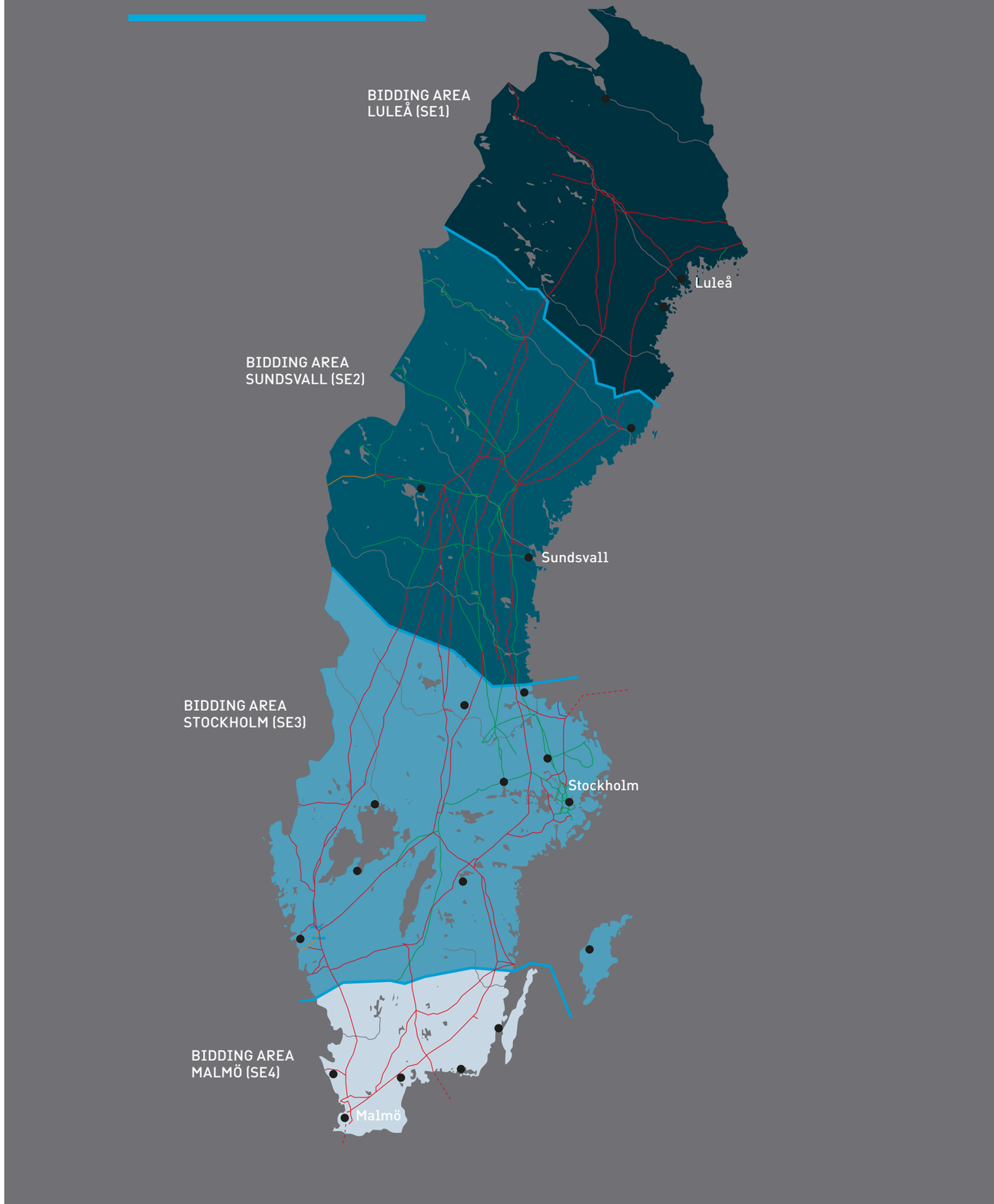
The telephone network consists of optic fibre, most of which are installed in power lines. The network consists of about 7,500 km of Svenska Kraftnät optic fibre and about 2,200 km of optic fibre leased from other network owners.

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 contingency planning 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 leases out so-called black fibre (optic fibre without active terminus equipment) to a number of large telecom operators, as well as other organisations.

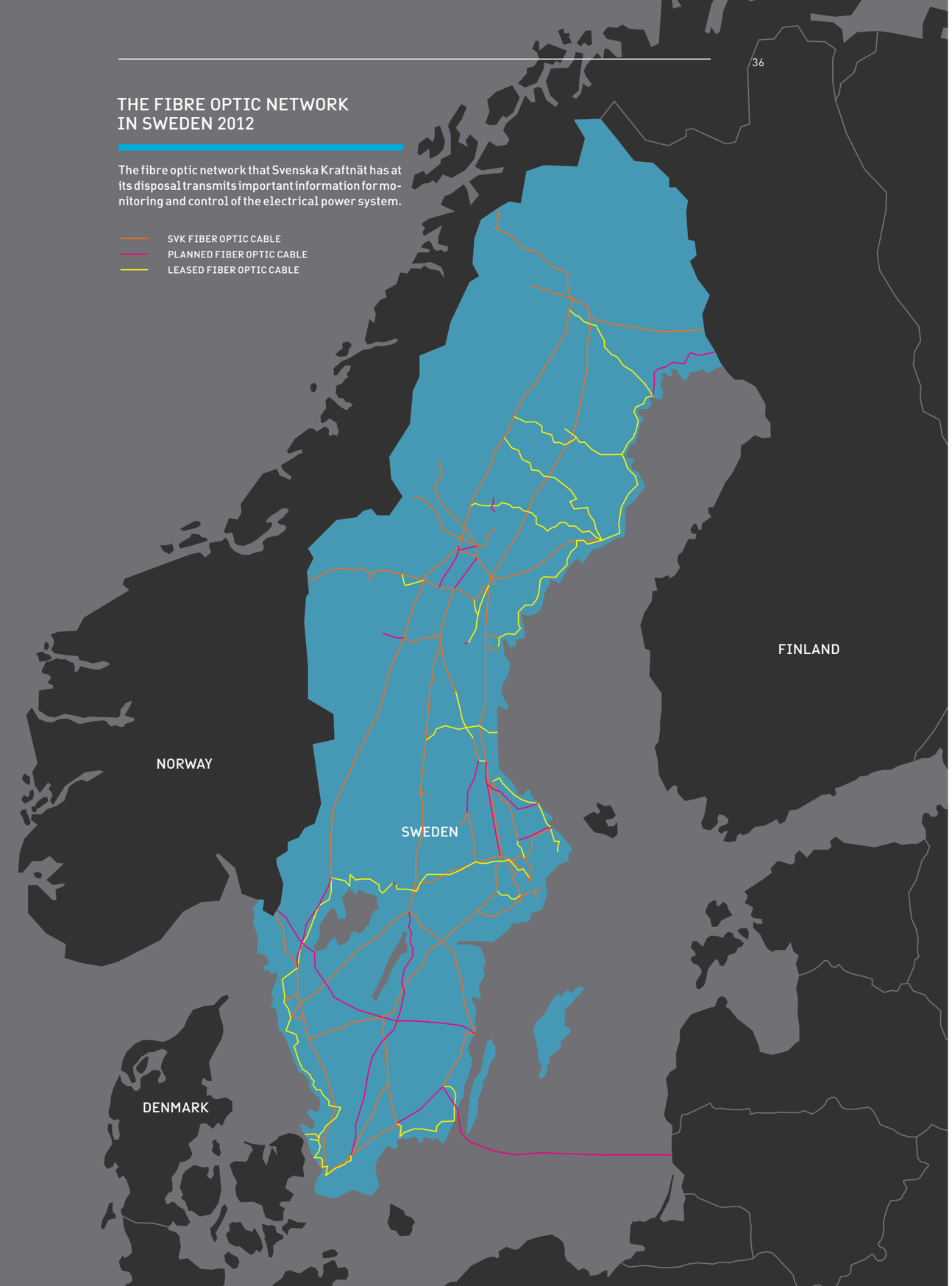
[9] FNR burdens the business segment System Operator Electricity by 100%. FDR burdens System Operator for Electricity by 67 % Transmission of Electricity on the National Grid by 33%. Last year's expenses have been recalculated with these principles for comparison.

BIDDING AREAS IN SWEDEN



THE FIBRE OPTIC NETWORK IN SWEDEN 2012

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



Furthermore, active connections are leased out in the form of capacity to energy companies for their operations communication

Operating revenue consists of revenues from external customers for leasing black fibre and active connections, leasing antenna locations primarily to mobile phone operators, and internal revenues from the Transmission of Electricity on the National Grid business segment.

TELECOMMUNICATIONS (MSEK)	2012	2011
OPERATING REVENUE		
External	**56**	88
Internal	**55**	55
TOTAL	**111**	143
OPERATING EXPENSES		
External	**-52**	-52
Internal	**-53**	-51
SUMMA	**-105**	-103
OPERATING INCOME		
External	**4**	36
Internal	**2**	4
TOTAL OPERATING INCOME	**6**	40

The telecommunication segment's total revenue amounted to SEK 111 (143) million. Of the external revenue of SEK 56 (88) million, sales in commercial telecommunications operations amounted to 56 (63) million. The Telecommunications segment has additional external revenues from leasing of data networks, telephone networks and antenna locations on masts and pylons. Internal revenues from the telecommunication segment's transmission of electricity on the grid amounted to SEK 55 (55) million.

Operating income amounted to SEK 6 (40) million, where the decline was largely attributable to the correction of revenues attributable to 2011.

Investments in telecom operations amounted to SEK 32 (27) million. During the year, investments in telecommunications networks have increased, which is mainly due to the fact that the higher network investments also affect telecommunications investments correspondingly.

SYSTEM OPERATOR FOR 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 is maintained. The utility monitors the pressure in the Swedish transmission network[11] for natural gas and takes 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 a.m to 06.00 a.m on the next day). Balance settlement takes place according to set regulations to

THE NATURAL GAS NETWORK IN SWEDEN (HIGH PRESSURE PIPELINES)

[10] Natural gas pipeline or system of natural gas pipelines running from the entry point to the measuring and regulating station for high pressure transmission (80 bar) of natural gas.

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.

To ensure a good balance in the natural gas system pressure according to Svenska Kraftnät's target range of 46 to 68 bar, the value is continuously monitored. In 2012, the pressure was within the specified limits.

Svenska Kraftnät is a member of the European Network of Transmission System Operators for Gas, ENTSO-G. During the year they have developed network codes for balancing. Svenska Kraftnät is also involved in a pan European project, Gas Regional Initiative North West (GRI NW), which is led by the European regulation authorities, in order to improve competition in the European natural gas market.

In June 2011, the Inquiry on future regulations and responsibilities in the natural gas market in Sweden (FRANS) published its report (SOU 2011:46). The report suggested among other things that the part of the current gas operations system run by Svenska Kraftnät connected to the short-term balancing of the Swedish natural gas system, system balancing responsibility, is transferred to Swedegas AB.

SYSTEM OPERATOR FOR GAS (MSEK)	2012	2011
Operating revenue	**50**	41
Operating expenses	**-49**	-38
OPERATING INCOME	**1**	3

In 2012, trade between Svenska Kraftnät and balance providers increased, which has resulted in increased revenue and expenses. The energy consumption charge that Svenska Kraftnät charges from the balance providers decreased during the year from 0.45 SEK / MWh to 0.35 SEK / MWh. Operating revenues for 2012 amounted to SEK 50 (41) million and operating expenses amounted to SEK 49 (38) million. Operating profit decreased to SEK 1 (3) million.

Investments amounted to - (-) million.

CHARGEABLE ACTIVITIES

Accounting of certificates and the levying of charges for the supply of natural gas as well as the issuing of guarantees of origin for electricity are all part of this business segment.

ELECTRICITY CERTIFICATES

Sweden has a statutory certificate system to promote renewable power generation. The system allows producers of renewable electricity to obtain a certificate from the State per MWh. Certificates can be sold to electricity suppliers and consumers, who are obliged to buy certificates corresponding to a certain portion of their sales and consumption.

Svenska Kraftnät is the accounting authority with the task of issuing and keeping account of the certificates and charges a fee for this decided upon by the Government. The Swedish Energy Agency is responsible for other official tasks.

In 2012 Svenska Kraftnät issued approximately 21 (20) million certificates. During the year, some 46 (36) million certificates were issued at an average price of about SEK 200 (247) per certificate. Since the introduction of the system about 143 (121) million certificates have been issued in Sweden. Wind power has also increased its market share this year from 30.8% in 2011 to 33.0% in 2012.

Since 1 January 2012 Sweden and Norway have operated a joint certificate market. Svenska Kraftnät's mission remains unchanged, but a technical solution to connect the Norwegian and Swedish electricity certificate registers has been implemented. In 2012, work continued with Statnett to evaluate and improve the technical solution, which will be realized in conjunction with the update of the Swedish electricity certificate registry in early 2013. The update brings an even higher level of service to operators.

SECURITY OF SUPPLY FEE

From 1 July 2012, Svenska Kraftnät no longer charges a fee for the supply of natural gas for network or storage owners. Revenue from the supply fee charged during the first half of 2012 has been used to finance parts of projects which began in 2011 but were not completed until 2012.

GUARANTEES OF ORIGIN

Sweden has a statutory system of guarantees of origin, which means that all the electricity produced can obtain guarantees of origin, i.e. a digital document that guarantees the origin of electricity. Guarantees of origin may be issued, transferred and cancelled. Svenska Kraftnät is also the accounting authority responsible for issuing and accounting guarantees of origin. The Swedish Energy Agency is responsible for other official tasks.

Svenska Kraftnät issued 141 (49.7) million guarantees of origin during 2012. 101.5 (18.7) million guarantees of origin were transferred during the year, and 27.7 (2.7) were cancelled to the benefit of electricity supplies. The number of cancelled guarantees of origin automatically amounts to 10.8 (0.5) million. Cancellations are due to the expiry date, i.e. twelve months have passed from the production period[11].

Today, it is not mandatory for producers to apply for and obtain guarantees of origin issued for their production.

The Swedish Energy Agency's regulations on the origin of electricity came into force on 1 January 2012. The regulations mean that Swedish electricity must be labelled with its origin. Electricity origin labelling means that information about the origin of electricity is either reported using guarantees of origin, residual mix or a combination of the two. Interest in guarantees of origin will probably increase in 2013.

CHARGEABLE ACTIVITIES (MSEK)	2012	2011
OPERATING INCOME RENEWABLE ELECTRICITY CERTIFICATES		
Account fee	**7**	8
Administrative fee	**0**	0
OPERATING INCOME SECURITY OF SUPPLY FEE	**0**	2
OPERATING INCOME GUARANTEES OF ORIGIN		
Account fee	**4**	0
TOTAL OPERATING REVENUE	**11**	10
Operating expenses electricity certificates	**-5**	-5
Operating expenses security of supply fee	**0**	-3
Operating Expenses Guarantees of Origin	**-4**	0
TOTAL OPERATING EXPENSES	**-9**	-8
OPERATING INCOME	**2**	2

Total operating revenues for Chargeable Activities amounted to SEK 11 (10) million. Operating expenses amounted to SEK 9 (8) million and operating income SEK 2 (2) million.

Investments amounted to SEK 0 (4) million.

[11] In 2012, an amendment was made to the application of the production period, start to finish.

ELECTRICITY CONTINGENCY PLANNING

Svenska Kraftnät is responsible for electricity contingency planning. This means that the utility with the help of annual appropriations funds of SEK 255 (250) million works to ensure that the electricity supply in the country is strengthened in order to cope with severe stress in times of peace and in times of alert or war. Svenska Kraftnät implements contingency planning in technology, communications, security and works with training and exercises.

REDUCE THE RISK OF SERIOUS DISTURBANCES

In 2012, Svenska Kraftnät, according to contingency plan law (2007:288), performed the following steps to reduce the risk of a serious disturbance in society.

The utility has contributed funds to the disturbance reserve in order to maintain the readiness of gas turbine plants. This is so that during major disturbances, island operation and power generation in priority areas can restart[12]. In order to quickly restart planned island operation areas, Svenska Kraftnät has mapped and taken steps to allow fast black starting, control capability, remote control and voice communications. Operational tests, exercises and training of employees and organisations have been implemented in order to increase knowledge of island operations.

Tracked vehicles have been renovated and rebuilt. Emergency Poles have been supplemented with brace anchors and ropes and test assembled.

In order for Svenska Kraftnät to make decisions about operational measures and the use of remote communication for the control of the national grid and production sites, the utility has looked at the redundance and durability of operational communications at a number of players.

Reserve power has been installed in order to quickly return to normal operations with efficient communications when there has been long-standing and widespread disruption in the electrical system. In order to practice the operation and maintenance of the reserve a training facility with classrooms and reserve has been installed.

Svenska Kraftnät has reviewed video surveillance, alarms and security in a number of priority sites. Improvement requirement specifications in additional facilities have been developed.

[12] Local area network set up in the event of disturbance

Loss of gas supply can have major consequences for society. Therefore, an investigation has been carried out of the financial implications of utilizing biogas from various plant types in readiness. A study has also been carried out to see what opportunities are available to supply gas to the Swedish natural gas network, using liquefied natural gas (LNG).

COORDINATION AND POOLING OF RESOURCES

Svenska Kraftnät has worked to mobilize and coordinate the resources available to secure the country's electricity in case of serious disturbances in peacetime. There are resources from emergency stocks, companies in the sector, the armed forces and civil defence. For example, air resources from the Armed Forces were used during winter disruption. Mobile command and communication systems (MOLOS) and Rakel Phones have also been lent to affected companies. Svenska Kraftnät borrowed during the year, a mobile station to temporarily replace a broken station in southern Sweden. Another mobile station has been purchased and deployed.

National grid and regional grid installers have been trained to repair collapsed lines with special contingency supplies. Distribution electricians on local networks have been trained to repair main grid and regional lines. Even civil defence personnel with voluntary agreements have been trained in order to maintain their skills. During the year, tracked vehicle drivers, crawler tractor drivers, associated operators and pilots from NGOs have been trained to support electricity companies.

Within the Nordic contingency planning and security collaboration (NordBER) a three-year action plan, agreed pan Nordic contingency plan and training calendar have been set in motion. The plan and the calendar will act as a support for the coordinated management of major events that could have implications for the Nordic countries.

FAST AND EFFECTIVE MANAGEMENT AND INFORMATION MEASURES

Svenska Kraftnät together with regional electricity companies took part in the information security exercise NISÖ 2012. Here preparedness for prompt and effective management and information measures in the event of serious disturbances in electricity supply in peacetime were exercised. Furthermore, electricity companies participated in regional joint exercises.

Organisation, cooperation and collaboration in a crisis are fundamental to the ability to quickly rebuild a damaged electrical system. Svenska Kraftnät decided to implement NISÖ 2012 in order practice this among government authorities and other players in the electricity sector. The aim of the exercise is to enhance the ability of national and Nordic electricity suppliers as well as crisis management organisations to prevent, withstand and manage crisis situations. The exercise was carried out in autumn 2012 and spring 2013.

The exercise is based on a scenario of severe disruptions in electricity supply, affecting the national grid, regional network, and local networks nationally and in the Nordic region. The exercise was conducted with three separate exercises, one of which took place in October as a table-top exercise. Participating organisations were Nordic energy and electricity contingency planning authorities, Nordic system operators, Swedish authorities related to electricity supply and a number of Swedish regional businesses and contractors. A simulation exercise will be carried out on three occasions in 2013 with a field exercise conducted in March 2013.

To increase the power companies' understanding of electrical properties when the network is weak and how operational activities can be maintained during severe strain, Svenska Kraftnät has organised training with the help of power system simulators. Also electricity coordination managers and electricity operators have practiced and trained.

Situation follow up reporting system Susie has been developed and a new version has been developed. The system has been improved so that companies can use it more in their daily work.

INFÖRANDE AV RAKEL

Rakel is a digital communications system. In 2012, a common operational communications plan was developed for the electricity branch and other connected sectors[13]. The work has been carried out with representatives from the electricity industry and Svenska Kraftnät.
In connection with the exercises and training, Svenska Kraftnät worked to increase awareness and use of Rakel among players in the electricity industry. Additional Rakel Mobiles have been purchased for the electricity supply contingency reserve, regional grid companies' operations centres, crisis management and disturbance organisations.

Rakel Mobiles have also been purchased to enhance electricity supply communications on Gotland.

15 Pre-defined groups who can communicate with Rakel.

STYREL

Svenska Kraftnät, at the bequest of the Government, has prepared the introduction of the management of electricity to priority users during times of shortage (Styrel). In 2012, the utility revised its regulations and guidelines on equipment and contingency for and implementation of load disconnection which took effect on 1 December 2012.

CONTINGENCY PLANNING

Work has continued in 2012 on the development of contingency planning and Svenska Kraftnät's crisis management organisation. During the spring, all elements of the emergency management organisation have received basic training in contingency planning, staff methodology, crisis communication, assistive technology / support and information about signal protection. Special instructions for emergency management organisations have been developed in conjunction with checklists and quick reference guides. In addition to the 2012 electricity exercise the organisation has participated in an emergency exercise and employees have been trained in the use of Rakel.

DAM SAFETY

Svenska Kraftnät works to promote dam safety in the country. The work includes following and participating as dam owners develop dam safety, sending regular reports to the Government on the progress made and collaborating with relevant agencies and organisations.

SUPERVISION

Svenska Kraftnät is working to further develop supervisory guidance in line with mandatory requirements. Svenska Kraftnät has identified the dams that in the event of a dam failure would cause particularly serious consequences. Along with dam owners and authorities, Svenska Kraftnät has developed routines to strengthen the supervision and inspection guidance for such dams. During the year the trial of extended dam safety reporting from dam owners to County Councils and monitoring by authorities has been conducted.

Svenska Kraftnät is responsible for regulatory guidance under the Environmental Code for dam safety. The utility is now making a national compilation of dam owners' annual reporting on dam safety as well as an inventory of County Council methods of supervision of dam safety of dams on the border between two counties.

CLIMATE CHANGE AND DAM SAFETY

Svenska Kraftnät follows the affect of climate change on dam safety and participates in the development in the country. During 2008-2011 Svenska Kraftnät in conjunction with the power industry, mining industry and SMHI analyzed and evaluated the climate issue and its connection to dam safety. Based on this analysis, Svenska Kraftnät, Swedish Energy, SveMin and SMHI 2012 worked out a joint plan for further work on climate change and design flows for dams.

CONTINGENCY PLANNING FOR DAM FAILURE

Svenska Kraftnät works to reduce the risk of serious disturbance to society as a result of dam failure or high water levels. To reduce the damage that can occur as a result of high water levels the utility supports the development of coordinated contingency planning for dam failures in the major regulated rivers. Svenska Kraftnät has developed a flood map for Indalsälven and started similar maps for Ångermanälven, Umeälven and Lagan. Work on coordinated contingency planning for dam failure is now underway on eleven waterways.

KNOWLEDGE DEVELOPMENT AND SKILLS PROVISION

Svenska Kraftnät pays attention to the need for research in dam safety and supports, along with the power industry, research and development projects in electricity research dam safety programmes. Svenska Kraftnät has supported and participated in a dozen projects in such things as the development of methods for warning the public during dam failure, quantitative risk analysis, analysis of overflow function reliability and condition monitoring of dams. Svenska Kraftnät supports the Swedish Hydropower Centre, a centre for education and research, which among other things aims to ensure the long-term supply of expertise in dam safety.

04. OTHER IMPORTANT AREAS

ENVIRONMENTAL WORK

An important task of Svenska Kraftnät is to contribute to environmentally sound and sustainable solutions for energy supply. When Svenska Kraftnät expands grid facilitates, expansion of renewable energy in the country is made easier. Svenska Kraftnät also increases transmission capacity, which means that green electricity can replace fossil fuel. You cannot ignore the fact that this activity in itself causes some environmental impact, but the goal is that this impact should be as small as possible.

ENVIRONMENTAL CARE - A NATURAL PART OF SVENSKA KRAFTNÄT'S WORK

Svenska Kraftnät is working for an environmental management system certified according to ISO 14001. In the latest environment ranking that EPA makes every year into Government authorities' environmental management, Svenska Kraftnät achieved the highest possible score.

During 2012, the utility has worked hard to coordinate environmental efforts on quality, safety, electrical safety and security. This has led to a more coherent and effective approach. For example, common procedures for incident management and project audits have been established.

Today environmental issues are a natural part of the work of investment and maintenance activities. Environmental requirements are a part of all procurements. An environmental plan describes how the contractor's environmental issues should be handled. Contractor employees undergo project-specific environmental training to gain knowledge about environmental issues and environmental risks and how they are managed. Monitoring of environmental issues takes place both at construction meetings, where the contractor reports to the Svenska Kraftnät project manager and in part by the internal controls of the contractor. Svenska Kraftnät also monitors contractors' work with their own environmental audits. Environmental work requires time, knowledge and resources of the utility's project manager. key environmental resources have been strengthened during the year to provide support and further enhance and coordinate environmental activities in projects.

Svenska Kraftnät has implemented a number of environmental audits of projects and maintenance activities. Positive findings are that work on environmental plans work well and that the majority of contractors show commitment and openness to improvement. Deficiencies are found mainly on the governance of subcontractors and documentation. The contractors will develop action plans to correct these deficiences. These measures are then followed up both in on-going projects and in future revisions.

Svenska Kraftnät presents environmental management in a specific order to The Ministry of Enterprise, Energy and Communications and the Environmental Protection Agency under Ordinance (2009:907) on environmental management in Government authorities. Correspondingly, Energy efficiency measures are presented to the Swedish Energy Agency under Ordinance (2009:893) on energy efficiency measures for authorities.

MEASURES TO REDUCE CARBON FOOTPRINT

For economical and environmental reasons it is desirable to minimize the energy losses that occur during the operation of the grid. An important measure in 2012 has been an agreement with Fingrid that has enabled minimization of the total losses by controlling power flows using the two DC links between Finland and Sweden. Svenska Kraftnät has also decided to use two tools to reduce losses from operational services in the new operational monitoring system to be introduced in 2013.

Svenska Kraftnät's systematic efforts to limit the greenhouse gas sulfur hexafluoride (SF6) during 2012 resulted in very low emissions, only 0.1% of the installed gas amount. This is far below requirements for new equipment where maximum emissions of up to 0.5% are approved. An example of a measure to curb emissions is the use of infrared cameras to measure SF6 during a suspected leak from the compressors in a gas-insulated substation.

In a project aimed at energy efficiency in Svenska Kraftnät stations the utility has produced an action plan during the year for existing stations. The plan states that an inspection of energy efficiency will be implemented in each station. During the inspection the potential for various energy-saving measures is examined. The measures that are deemed to be reasonable are implemented accordingly. Work will take place during 2013 and 2014. In a development project, the potential to reduce energy consumption for heating the enclosures of substations is being examined. Another project examines the work to replace chillers with free cooling in the technology sheds found in the vicinity of stations.

An account of the utility's emissions of greenhouse gases is available on www.svk.se. The utility uses the Greenhouse Gas Protocol which is an established and transparent standard for climate calculations.

NEW SOLUTIONS FOR THE BENEFIT OF THE ENVIRONMENT

Svenska Kraftnät with Danish Energinet.dk started a project to replace four oil-filled cables between Skåne and Själland with new oil-free plastic cables. The cables are part of the Natura 2000 site and Öresund in Swedish and Danish waters. The replacement means that the risk of oil leakage affecting this sensitive natural environment is eliminated.

In several studies during the year Svenska Kraftnät has investigated the possibility of replacing creosote impregnated wooden poles and foundations with other materials. A pillar of mineral fibre and a pole in composite materials will be installed and tested in 2013. Concrete sleepers have been designed and will be able to replace creosote foundations in sensitive environments. Some concrete sleepers have been successfully installed in the Stenkullen-Lindome project. Tests to replace loose stone with a metal grid in the oil catch pits under the transformers have begun. This means that the stone no longer needs to be transported and removed for washing and that the volume of new oil pits can be reduced.

At the contingency reserve in Åsbro several environmental improvement measures have been implemented, including better recycling procedures, reduced chemical use, switching to more environmentally friendly fuels in reserve power plants and environmental training in waste / hazardous waste for contractors.

During the summer, the utility has continued the mapping of species-rich areas of the grid. Some surveys have been done in cooperation with the County of Kalmar, Jönköping and Kronoberg. So far, the species-rich areas cover about a 280 km line corridor. The purpose of the surveys is to adapt the management of areas to preserve biodiversity. In collaboration with Gävleborgs County Council extra clearance work has been carried out to help the endangered species marsh fritillary along the 16 km line corridor.

RESEARCH AND DEVELOPMENT

Research and development in the areas of electricity transmission and distribution are important for Svenska Kraftnät's operations. As a result Svenska Kraftnät is involved and supports technological research, development and demonstration activities in these areas. The goal is to improve long-term reliability, efficiency and environmental compatibility of network and system operator activities. Interaction with the universities is also a priority. Overall, the research and development is of long-term importance to ensure and enhance the skills required for Svenska Kraftnät now and in the future to meet its obligations.

Dam safety and risk and vulnerability issues for the power system are other important areas that the utility supports. Svenska Kraftnät carries out research and development, often in collaboration with companies in the industry through the jointly owned Elforsk AB.

Svenska Kraftnät is a partner in the development company STRI AB in Ludvika together with ABB, Statnett and Det Norske Veritas. It implements research and development projects, often in collaboration with partners. In addition, there are a number of common projects with the Nordic grid companies. In 2012, research questions of common interest in Europe continued to increase. Examples of such issues are the integration of renewable energy into various national grids. In 2012 Svenska Kraftnät spent SEK 21 (25)

million on research and development.

Here are some of the projects that were conducted during the year that help to improve reliability, availability and efficient network expansion in the long run.

- A prototype has been built to test a method for non-contact temperature monitoring of isolators. This prototype has been installed during 2011-2012.
- Power system models in Svenska Kraftnät's power system simulator Aristo have been further developed. The power system simulator is used for operator training, operation analysis and power system studies. It is also important that the simulator is used in colleges, in order to help enhance skills. Aristo is at Chalmers, KTH and Lund University.
- In collaboration with consultants and colleges Svenska Kraftnät is improving knowledge of VSC technology (Voltage Source Converter) for transmission on land and at sea.
- Svenska Kraftnät participates in the Nordic knowledge network for research on Phasor Measurement Units (PMU); a new technology that can provide a better understanding of the Nordic network dynamics, and ultimately provide instruments for the networks.
- SCADA[14] security is an investment in information and management systems, which was established in 2010 and has since continued in 2012. Collaboration occurs between KTH, FOI and Svenska Kraftnät where Svenska Kraftnät funds research at KTH.
- In 2012, Svenska Kraftnät continued to study two new techniques to better assess the status and risk of failure associated with high trees and power lines. One uses advanced measurement techniques using laser. The second method is based on three-dimensional photography combined with advanced computerized interpretation. The goal is to introduce the option that suits operational plant maintenance business best. Work began on evaluation in 2012 and continues in 2013.
- The use of wind energy in island operation has been investigated, investigating whether and how renewable production sources, such as wind power, can be used in island operation and how these may affect the frequency regulation.
- Financial support for higher education research programmes Elektra and Vindforsk. Direct support to selected research projects have also been made to colleges.
- As part of the investment in smart grids Svenska Kraftnät is participating in an Elforsk Project. The utility is also actively involved in the global International Smart Grid Action Network (ISGAN) and the Swedish Government's newly established Coordination of smart grids.
- Svenska Kraftnät supports knowledge and competence building in dam safety and through R & D projects by supporting the Swedish Hydropower Centre (SVC) which is a centre for colleges and research in hydropower and mining dams. The centre is divided into two areas of expertise hydraulic engineering and water turbines and generators. Svenska Kraftnät supports both areas.

INTERNATIONAL COOPERATION

Svenska Kraftnät is working to increase the integration and harmonization of the Nordic electricity markets and electricity networks. The utility seeks to further develop electricity market cooperation in Europe to promote a single market for electricity.

ENTSO-E

In Europe extensive work with a view to realizing the idea of an integrated European electricity market with safe and secure energy supply is underway. The EU's third legislative package on the internal market for electricity and gas is a central part of this work and has resulted in increased demand for a European presence and focus by Svenska Kraftnät. Cooperation between the European grid companies is conducted by the organisation European Network of Transmission System Operators for Electricity (ENTSO-E). 41 European national grid operators in 34 countries collaborate in ENTSO. In addition to the EU member states the cooperation includes Norway, Iceland, Switzerland and the countries of the former Yugoslavia.

In 2012 Svenska Kraftnät contributed actively to ENTSO, at the bequest of the EU Commission, developing proposals for binding European rules (so called network codes) in the areas of operations, network planning and market. Svenska Kraftnät's participation is important to influence the development of the European rules to foster a well-functioning

[14] Supervisory Control and Data Acquisition (SCADA).

integrated European electricity market.

Svenska Kraftnät helped to develop the non-binding European ten-year network development plan[15] which ENTSO published in July 2012. The network development plan indicates planned grid enhancement projects and points to where there is a need for such work.

CALLS FOR GREATER TRANSPARENCY

European energy ministers have stated that transparency in the electricity market is vital. As a result, the European Energy Regulator[16] was given the task to develop a draft for the regulation of fundamental transparency. Svenska Kraftnät as a member of ENTSO worked actively to develop draft Regulation. In late 2012 the Commission adopted draft Regulation that primarily focuses on publishing data related to the transmission infrastructure. Examples of this are available transmission capacity data but also the publication of basic market data related to supply and demand.

ENERGY INFRASTRUCTURE REGULATION

In late 2012, the European Union and the European Parliament agreed on energy infrastructure regulation. The Regulation will enter into force in 2013 and states that substantial energy infrastructure investment is needed by 2020 to meet the EU's climate and energy goals.

In 2012 Svenska Kraftnät assisted the Ministry of Industry with expertise in the regulation discussed in The Council and Parliament.

MARKET COUPLING

Integration of European markets has been a major issue in 2012. Models corresponding to the Nordic one, where power flows and bidding area prices are determined simultaneously by the so-called implicit auction, has been an example for the European model which is enshrined in the European group AESAG[17]. The target model has guided the above work to develop proposals for binding European rules. During the years, extensive work has been conducted to interconnect different regions in Europe so that the target model can be achieved. During 2012 Svenska Kraftnät has been involved in several projects aimed at the integration of Sweden and the Nordic region with neighbouring countries through so-called market coupling. Among other things, the work has been conducted to deepen the integration of the Nordic region with Central and Western Europe and Britain. The project has been selected by ENTSO as a pilot. The idea is that this solution for market coupling should be extended to other regions in Europe. System operator companies in the region are working with power exchanges to implement a common solution for both day before-trading and day trading. The aim is that the new solutions will be operational in late 2013.

NORDIC HARMONISATION

The Nordic system operators Fingrid, Statnett and Svenska Kraftnät agreed in 2010 to start a project with the aim of establishing a common Nordic balance settlement (Nordic Balance Settlement, NBS). Extensive work has since been undertaken to implement the model in Sweden, Norway and Finland. The implementation includes the harmonization of rules for balance settlement and establishment of the new settlement unit to manage the balance settlement for all balance providers in Sweden, Norway and Finland. The national transmission system operators will act as local sub-units to ensure customer support for the local market players. In 2012, a further step towards a common Nordic balance settlement was taken. Svenska Kraftnät, Statnett and Fingrid have asked Fingrid to take over the main responsibility for balance settlement and create a common Nordic settlement unit. A company will be established with the main task to manage the balance settlement in Sweden, Finland and Norway. The new common clearing unit is expected to start operations in 2015. The goal is to create a more efficient operating environment for all balance providers, regardless of the electricity area or country they operate in. In addition, common rules and standards for data exchange in cooperation with other players in the electricity market by offering a common balance settlement for all balance providers in the three countries will be created.

The future model supports a common Nordic retail market by lowering the threshold for new entrants, facilitating effective cross-border operations and reducing costs so that the same systems and methods can be used in several countries.

DEVELOPMENT OF THE ELECTRICITY MARKET

[16] ERGEG now called ACER.

[17] ACER Electricity Stakehoder Advisory Group (AESAG). AESAG has members from many different actors and the EU-Commission.

IN THE BALTIC

In 2012, Nord Pool Spot's trading range extended to Lithuania. On 18 June 2012 the Lithuanian bidding area opened the day before trading with Nord Pool Spot.

Even Latvia is expected to open a bidding area in Nord Pool Spot The Latvian system operator Augustsprieguma Tikls, has received preliminary approval from the European Commission, which ensures that a bidding area should be opened up the day before trading in June 2013. With Latvia's market opening, the entire Baltic region will be integrated with the Nordic electricity market. An important prerequisite for a well-functioning Nordic / Baltic electricity market is the NordBalt connection between Sweden and Lithuania. It is scheduled to be operational by yearend 2015/2016.

ELECTRICAL SAFETY

The term electrical safety means in this context the responsibility that Svenska Kraftnät has to people and property from damage caused by electrical current. Maintaining a high level of electrical safety is an overarching objective of Svenska Kraftnät and its subsidiaries. Svenska Kraftnät is working towards a zero tolerance regarding electrical accidents and incidents.

In 2012, Svenska Kraftnät has been spared from fatal accidents and accidents leading to personal injury caused by electricity. During the year, 18 (15) electrical incidents were reported. The good statistics reflect the level of responsibility and high level of electrical safety competence at Svenska Kraftnät and of the contractors carrying out the work on its behalf. Svenska Kraftnät contractors must also thoroughly investigate the underlying causes of incidents that occur. Svenska Kraftnät develops, designs, builds, maintains and monitors the facilities so that risks of accidents are minimized and so that the public feel safe when they are close to Svenska Kraftnät plants.

During the year Svenska Kraftnät has conducted pre-announced audits of electrical safety in operations (ESA). Another couple of electrical safety audits have been carried out by external auditors. Unnotified electrical safety checks have been carried out at a number of Svenska Kraftnät workplaces. The results of these audits and inspections show a sound awareness of safety and that electrical safety requirements are followed by plant contractors. The need for systematic monitoring of electrical safety requirements increases when Svenska Kraftnät investment increases.

During the year Svenska Kraftnät also contributed to the revision of the industry-wide electrical safety instructions called ESA.

VINDLOV

Svenska Kraftnät is involved in the task of managing and maintaining the authorities' common web platform Vindlov which is a hub for all information about permission issues for wind turbines. Svenska Kraftnät also participates in regular meetings that serve as the platform for cooperation between the Swedish Energy Agency and other participating authorities.

Integrated with Vindlov is the geographic web service Vindbrukskollen[18]. It is a web-based national database with wind power maps in Sweden that shows where there is wind in the country and where new works are projected. Svenska Kraftnät has contributed to the development of this service, by such things as supplementing the service with information on the newly introduced bidding areas. Svenska Kraftnät has also come up with suggestions so that the service can more easily be used to gain a comprehensive picture of wind power from the point of view of the network companies.

20 www.vindlov.se/vindbrukskollen

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

SEVEN-YEAR REVIEW FOR THE GROUP

INCOME STATEMENT (MSEK)	2012	2011	2010	2009	2008	2007	2006
Operating revenue	**9,789**	9,282	10,547	6,851	7,717	6,326	6,838
Operating costs excl. depreciation	**-7,999**	-7,965	-9,098	-5,881	-6,328	-4,941	-5,581
Depreciation and write downs	**-811**	-676	-664	-613	-585	-590	-569
Share of income in associated companies	**23**	9	20	31	1 069	69	48
OPERATING INCOME	**1,002**	650	805	388	1 873	864	736
Financial items	**-64**	-42	-22	-7	-67	-127	-55
INCOME AFTER FINANCIAL ITEMS	**938**	608	783	381	1 806	737	681
Tax on income for the year	**-15**	-14	-10	-6	-3	-5	-5
NET INCOME FOR THE YEAR	**923**	594	773	375	1 803	732	676
BALANCE SHEET (MSEK)							
Intangible fixed assets	**306**	308	282	284	259	226	224
Tangible fixed assets	**13,568**	12,465	10,400	9,782	8,893	8,549	8,545
Financial fixed assets	**98**	105	96	347	1,528	467	416
Inventories	**84**	86	89	88	89	93	89
Current receivables	**1,666**	1,844	1,972	1,023	842	995	718
Liquid funds	**210**	733	370	130	104	51	59
TOTAL ASSETS	**15,932**	15,541	13,209	11,654	11,715	10,381	10,051
Equity	**8,659**	8,115	8,019	7,501	8,159	6,832	6,539
Deferred tax	**32**	40	38	32	28	24	19
LONG-TERM LIABILITIES							
Interest-bearing	**1,854**	2,768	1,972	1,835	1,621	1,616	1,960
Non-interest bearing	**3,272**	1,794	936	507	393	420	458
Provisions	**633**	537	478	433	392	361	253
CURRENT LIABILITIES							
Interest-bearing	**-**	82	82	82	98	98	98
Non-interest bearing	**1,482**	2,205	1,684	1,264	1,024	1,030	724
TOTAL EQUITY AND LIABILITIES	**15,932**	15,541	13,209	11,654	11,715	10,381	10,051
KEY BUSINESS RATIOS							
Return on adjusted equity after tax[19] (%)	**9.5**	6.1	8.4	4.3	19.8	8.9	7.9
Return on total capital (%)	**6.4**	4.6	6.8	3.5	17.0	8.6	7.3
Return on capital employed (%)	**9.7**	6.5	9.0	4.5	21.6	10.7	9.0
Equity/assets ratio (%)	**47.0**	45.6	53.1	57.2	60.9	58.8	58.5
Operating margin (%)	**10.2**	7.0	7.6	5.7	24.3	13.7	10.8
Net profit margin after tax (%)	**7.1**	4.8	5.4	4.0	16.8	8.3	7.1
Capital turnover ratio (ggr)	**0.62**	0.65	0.85	0.59	0.7	0.62	0.67
Debt/equity ratio (%)	**30.4**	37.4	30.8	33.2	28.1	33.2	38.0
Self-financing level	**0.8**	0.6	1.1	0.7	1.6	2.1	2.8
Interest coverage ratio	**14.8**	13.9	14.0	13.3	25.7	6.1	12.4
OTHER							
Internally allocated funds (MSEK)	**1,680**	1,189	1,370	983	1,347	1,373	1,225
Net liability (MSEK)	**2,277**	2,655	2,162	2,220	2,007	2,024	2,252
Investments (MSEK)	**2,375**	2,771	1,276	1,527	963	596	478
Dividend paid to the Government (MSEK)	**378**	499	244	1 172	476	439	1 573
Manpower (Quantity)	**422**	375	344	317	295	289	282
Energy supplied to the national grid (TWh)	**123.5**	113.5	110.3	104.4	115.0	120.5	119.8
Energy extracted from the national grid (TWh)	**120.0**	110.8	108.0	101.7	112.1	117.7	117.3
Energy losses (TWh)	**3.5**	2.7	2.4	2.7	2.9	2.8	2.5

[19] 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	2012	2011
Network revenue	1	4,941	4,441
System operator revenue – electricity	2	4,434	4,390
Telecommunications revenue		56	88
System operator revenue – natural gas		50	41
Chargeable activities		11	10
Govt. Grant for power contingency planning	3	201	236
Capitalised work for own account	4	96	76
TOTAL OPERATING REVENUE	**8**	**9,789**	**9,282**
OPERATING EXPENSES			
Personnel expenses	5	-382	-326
Purchase of loss power		-1,514	-1,297
Purchased balancing power		-3,912	-4,046
Other operating expenses	6	-2,191	-2,296
Depreciation and write down of tangible and intangible fixed assets	13,14	-811	-676
TOTAL OPERATING EXPENSES		-8,810	-8,641
Share of income in associated companies	7	23	9
OPERATING INCOME	**8**	**1,002**	**650**
INCOME FROM FINANCIAL INVESTMENTS			
Income from other securities and receivables that are fixed assets	9	0	0
Other interest income and similar income items	10	2	5
Interest expenses and similar expense items	11	-66	-47
INCOME AFTER FINANCIAL ITEMS		938	608
Tax on income for the year	12	-15	-14
NET INCOME FOR THE YEAR		923	594
Income attributable to:			
The state		950	581
Minority interests		-27	13

COMMENTS ON INCOME STATEMENTS

OPERATING REVENUE AND EXPENSES

Consolidated operating income increased in 2012 and amounted to SEK 9,789 (9,282) million, an increase of SEK 507 million, mainly due to increased grid tariff. In addition, energy prices increased due to higher transmission on the grid during the year compared with last year.

The Group's network revenue including capitalised work for own account amounted to SEK 5,037 million and increased by SEK 520 million compared with 2011. Revenue growth has been affected by increased grid tariffs and increased transmission on the grid. Revenues from capacity charges dropped during the year and amounted to SEK 26 million compared with SEK 77 million last year. The influx of capacity charges increased during the year and amounted to SEK 1,756 (771) million. The increased capacity charges are mainly due to the high water level in the reservoirs and the division of Sweden into bidding areas implemented on 1 November 2011. Of these, SEK 26 (77) million was used to cover counter trading. In addition, SEK 1 539 (685) million was reclassified to non-current liability in the balance sheet and used for investment grants for investments made in 2012. The remaining SEK 189 (9) million has been reclassified to non-current liability in the balance sheet to be used for investment grants next year.

Energy dependence on revenue from transmission on the grid grew to SEK 2,145 (1 757) million, which is in part due to tariff increases as well as higher grid transmission. Revenue from transit decreased during the year to SEK 159 million compared with SEK 209 million the previous year despite increased net exports increasing transit through Sweden.

The decrease is explained by the negative income relating to 2011 due to the high reserve last year and late corrections from ENTSO which completes the accounts.

System Revenues for electricity increased by SEK 44 million and amounted to SEK 4,434 (4,390) million.

Telecom operations external revenues amounted to SEK 56 (88) million. The decrease in revenue is due to corrections of revenues attributable to 2011. Operating revenues for the System Operator for Gas amounted to SEK 50 (41) million. The revenue increase is due to the fact that the trade of gas sold increased compared with the previous year.

Contingency operations during the year used SEK 201 (236) million, which was funded by appropriations.

Chargeable activities include management of renewable electricity certificates and levying security of supply fees for natural gas. These charges resulted in revenues of SEK 11 (10) million. The Government sets the fees for certificates and they are regulated by Electricity Certificates Ordinance (2003:120).

The Group's operating expenses amounted to SEK 8,810 (8,641) million. Svenska Kraftnät is still in a recruitment period and 52 (28) new full-time jobs have been added since December 2011. Staff cost increased by SEK 56 million from SEK 326 million in 2011 to SEK 382 million in 2012.

In 2012, the cost of power loss increased by SEK 217 million from SEK 1,297 million in 2011 to SEK 1,514 million in 2012. The increase is due to the high transmission of electricity from northern Sweden to southern Sweden due to high water levels resulting in increased network losses which Svenska Kraftnät compensates for by the purchase of so-called loss energy.

The cost of balanced power decreased by SEK 134 million to SEK 3,912 million due to a good supply of water with high reservoir levels throughout the Nordic region. This has among other things led to lower costs for primary control compared with the previous year.

OPERATING INCOME

Operating income for the Group amounted to SEK 1,002 million, which is SEK 352 million higher than 2011. Operating income includes external income and expenses and income from associates. Consolidated depreciation and write downs are included in operating income.

Transmission of electricity on the grid is the dominant profit driver in Svenska Kraftnät's business. Net operating income for the transmission of electricity on the grid increased to SEK 1,066 (883) million. The higher profit is partly due to high levels of water in Nordic reservoirs which resulted in a very high electricity transmission on the grid. This in turn generated higher usage fees. High transmission also causes greater losses but this year's low electricity price affected the results positively, when losses exceeded hedged volumes and the remainder was procured on the spot market. The high transmission on the grid also meant increased capacity charges when network customers often exceeded their power subscription. Some costs affect both business segments of the Transmission of Electricity on the Grid and System Operators for Electricity. Costs that cannot be attributed to a single area of activity have been divided between the two business segments.

Operating income for the business segment System Operator for Electricity amounted to SEK 96 (287) million. The improved results compared with last year were mainly due to lower costs for primary control.

Telecommunications operating loss was SEK 6 (40) million. The decrease is primarily due to the correction of revenues during 2011.

Operating income for the System Operator for Gas was SEK 1 (3) million.

Operating income for the Chargeable Activities business segment amounted to SEK 2 (2) million.

The high rate of investment in plant affected the Group's depreciation of intangible and tangible assets, which grew by SEK 51 million compared with last year.

The Group's results were affected by SEK -95 (-11) million in depreciation of which SEK -83 million relates to depreciation of fixed assets attributable to the overseas connection SwePol Link.

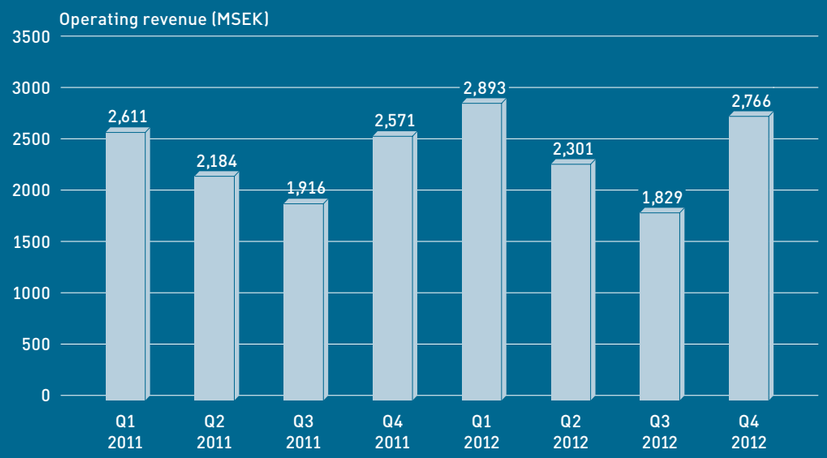
Operating margin from associated companies amounted to SEK 23 million, which is SEK 14 million higher than last year. Of this SEK 9 million was due to the Nord Pool Spot issue to new partners, Elering and Litgrid.

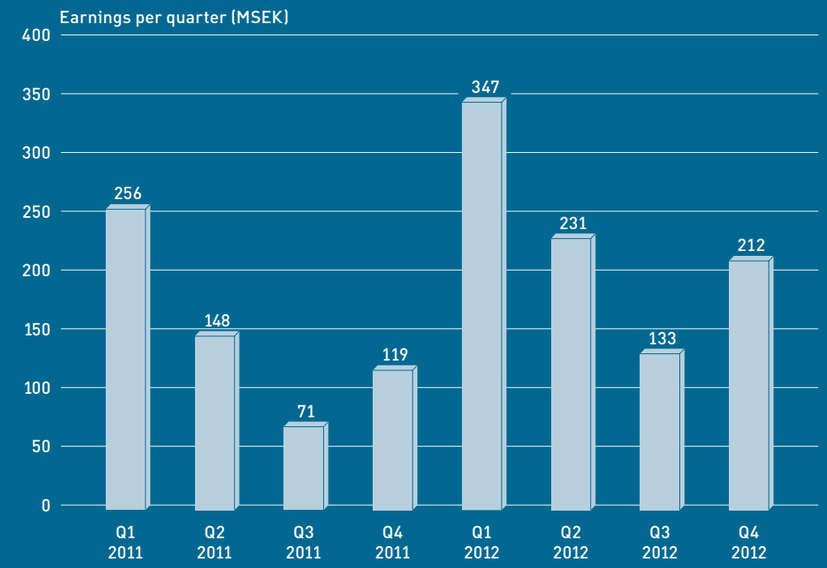
The operating margin for the group was 10.2 (7.0) %, which is 3.2 percentage points higher than last year.

NET FINANCING
The Group's net financial income/expense amounted to SEK -64 million, a decrease of SEK 22 million compared with last year. The Group's interest income amounted to SEK 2 million (5). The decrease is attributable to currency futures contracts which were signed to hedge Euro deposits required to purchase electricity on Nord Pool Spot. In January 2012 requirements for collateral deposit towards guarantees issued by the Debt Office on behalf of NASDAQ OMX Commodities changed. The Group's interest expenses and similar items amounted to SEK -66 (-47) million. The increase is explained by a provision of SEK 53 million for indexing Svenska Kraftnät's pension under the safeguarding rules adopted by the Swedish Pensions Board. Last year's index increased to SEK 27 million. In addition, interest expenses were positively impacted as a result of the capitalized interest costs of ongoing construction projects with SEK 38 (41) million.

The interest coverage ratio amounted to 14.8 (13.9) times.

NET INCOME FOR THE YEAR
Consolidated net income for the year amounted to SEK 923 (594) million, which is SEK 329 million higher than in 2011 where all quarters contribute to the high performance. The result means a return of 9.5 (6.1) % 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 7.1 (4.8) %.





» THE GROUP'S REVENUES INCREASED BY ALMOST 5 PERCENT «

BALANCE SHEET – THE GROUP

ASSETS (MSEK)	NOT	2012-12-31	2011-12-31
FIXED ASSETS			
Intangible fixed assets	13	**306**	308
Tangible fixed assets	14	**13,568**	12,465
FINANCIAL FIXED ASSETS			
Shares and participations in associated companies	16	**95**	91
Long-term receivables	17	**1**	0
Income taxes recoverable	17	**2**	14
TOTAL FIXED ASSETS		**13,972**	12,878
CURRENT ASSETS			
Inventories		**84**	86
Accounts receivable		**656**	714
Other current receivables	18	**63**	201
Prepaid expenses and accrued income	20	**947**	929
Liquid funds		**210**	733
TOTAL CURRENT ASSETS		**1,960**	2,663
TOTAL ASSETS		**15,932**	15,541
EQUITY AND LIABILITIES			
EQUITY REFERABLE TO OWNERS			
Government capital		**600**	600
Other paid-up capital		**3,314**	3,314
Profit brought forward		**4,711**	4,140
GOVERNMENT CAPITAL		**8,625**	8,054
MINORITY INTERESTS		**34**	61
TOTAL EQUITY		**8,659**	8,115
LONG-TERM LIABILITIES			
Interest bearing liabilities	21	**1,854**	2,768
Non-interest bearing liabilities	22	**3,272**	1,794
Deferred tax	24	**32**	40
Provisions for pensions	23	**633**	537
Other provisions	24	**0**	0
TOTAL LONG-TERM LIABILITIES		**5,791**	5,139
CURRENT LIABILITIES			
Interest-bearing liabilities	25	**-**	82
Accounts payable		**626**	1 277
Tax liabilities		**12**	8
Other liabilities		**31**	131
Accrued expenses and prepaid income	26	**813**	789
TOTAL CURRENT LIABILITIES		**1,482**	2,287
TOTAL EQUITY AND LIABILITIES		**15,932**	15,541
PLEDGED SECURITIES		**NONE**	**NONE**
CONTINGENT LIABILITIES	27, 28	**0**	0

COMMENTS ON THE BALANCE SHEET

BALANCE SHEET TOTAL
The consolidated balance sheet total amounted to SEK 15,932 (15,541) million, an increase of SEK 391 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 306 million (308). Investments in software, primarily a new operational monitoring system, amounted to SEK 40 (64) million. Depreciation on intangible fixed assets for the year amounted to SEK 42 (46) 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 13,568 (12,465) million, an increase of SEK 1 103 million. Investments during the year amounted to SEK 2,335 (2,707) million and depreciation to SEK 674 (619) million. In addition, write-downs amounted to SEK 95 (11) million.

The other fixed assets consist of participations in associated companies and income taxes recoverable. Participations in associated companies amounted to SEK 95 (91) million. During the year, the parent entity received a dividend of SEK 18 (2) million from Nord Pool Spot AS and share of income in associated companies amounted to SEK 23 M (9) SEK 9 million of which as a result of the issue of Nord Pool Spot AS.

CURRENT ASSETS
Current assets amounted to SEK 1,960 (2,663) million. The decrease mainly relates to decreased liquid assets which were SEK 210 (733) million at year end, a decrease of SEK 523 million. In 2011 the public utility 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 in January 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 8,659 (8,115) million, of which SEK 4,711 (4,140) million consisted of retained earnings. SEK 378 (499) million has been distributed to the owners during the course of the year. Net Group profit for the year amounted to SEK 923 (594) 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 1,854 (2,131) million. SwePol Link's bank loan, which last year amounted to SEK 637 million, was redeemed during the year in connection with the sale of 50 % of the overseas connection SwePol Link. The interest-bearing long-term liabilities in the Group decreased as a result by SEK 914 during the year. The average interest rate on the consolidated loan in 2012 was 1.6 (1.9) %.

Non-interest-bearing long-term 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 3,272 (1,794) million. The increase is explained by the high influx of capacity charges that are not matched by costs for counter trading, which are recognized as a liability in the balance sheet.

Net loan debt decreased by SEK 378 million to SEK 2,277 (2,655) million. This affected debt/equity ratio which fell during the year to 30.4 (37.4) %. The primary reason is as above, the high influx of capacity charges, resulting in a net redemption. The target for 2012 is that Svenska Kraftnät will have a debt-equity ratio of 80 %.

CURRENT LIABILITIES
Accounts payable decreased significantly from SEK 1,277 million in 2011 to SEK 626 million in 2012. Accounts payable in 2011 were affected by the signing of several agreements and cash advances on investment for the year 2011.

CASH FLOW STATEMENT –THE GROUP (MSEK)

THE YEAR'S OPERATIONS	2012	2011
Operating income	1,002	650
Adjustment for items not included in cash flow		
Depreciation	716	665
Other items	14	-68
Interest received	2	-
Interest paid	-53	-46
Tax paid	-1	-12
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	1,680	1,189
CHANGES IN WORKING CAPITAL		
Changes in inventories	2	3
Change in current receivables	209	-115
Change in current liabilities	-368	-21
CASH FLOW FROM THE YEAR'S OPERATIONS	1,523	1,056
INVESTMENT ACTIVITIES		
Investments in intangible and tangible assets	-2,675	-2,229
Change in long-term receivables	-	0
Sale of fixed assets	472	0
Investments in other financial assets	-1	-
CASH FLOW FROM INVESTMENT ACTIVITIES	-2,204	-2,229
FINANCING ACTIVITIES		
Dividend received	18	3
Change in interest-bearing activities	-996	796
Change in other long-term liabilities	1,514	1,234
Advance payments from customers	-	2
Dividend paid	-378	-499
CASH FLOW FROM FINANCING ACTIVITIES	158	1 536
CASH FLOW FOR THE YEAR	-523	363
Liquid assets at the beginning of the year	733	370
Liquid assets at year-end	210	733

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 operating activities before changes in working capital increased by SEK 491 million compared with the previous year and amounted to SEK 1,680 (1,189) million.

Cash flow from operating activities increased by SEK 467 million compared with the previous year and amounted to SEK 1,523 (1,056) million. The improvement is mainly due to the higher operating profit.

INVESTMENT ACTIVITIES
Investments made by the Group increased during the year and amounted to SEK 2,675 (2,229) million. Investments in the parent entity amounted to SEK 2,672 (2,180) million, SEK 0 (25) million in the subsidiary SwePol Link and SEK 3 (24) million in Svenska Kraftnät Gasturbiner AB.

FINANCING ACTIVITIES
The Group's interest-bearing liabilities declined by SEK 996 million, compared with an increase in 2011 of SEK 796 million. In the parent entity interest-bearing debt fell by SEK 276 million, compared with an increase of SEK 879 million in 2011 and in the subsidiary SwePol Link external interest-bearing liabilities decreased by SEK 719 (83) million. The change is mainly due to the high influx of capacity charges and sale of the overseas connection SwePol Link which together meant the Group had net repayments during the year. Other long-term liabilities increased by SEK 1,513 (1,234) million. The main reason for the increase is the high influx of capacity charges. The state was awarded SEK 378 (499) million.

Cash flow for the year amounted to SEK -523 million compared with SEK 363 million 2011.

CHANGE IN EQUITY - GROUP (MSEK)

	REFERABLE TO THE GOVERNMENT					
	The Government's capital	Other paid-up capital	Capitalized profits incl. Net income for the year	Total	Referable to minority interests	Total equity
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
OPENING BALANCE 2012	600	3,314	4,140	8,054	61	8,115
Translation difference			-1	-1		-1
Dividend	—	—	-378	-378	—	-378
Net income for the year	—	—	950	950	-27	923
CLOSING BALANCE 2012	600	3,314	4,711	8,625	34	8,659

of which restricted equity amounted to SEK 4,203 (4,174) million

PROFIT BROUGHT FORWARD INCLUDING NET INCOME FOR THE YEAR

Profit brought forward including net income for the year is constituted by profit accrued in the parent entity and in subsidiaries, as well as in Svenska Kraftnät's share of profits from associated companies. Previous provisions to restricted reserves are included in this capital item.

Svenska Kraftnät is a public utility and a part of the Swedish Government. The above report is compiled according to IFRS to allow easier comparison with other Swedish independent groups with formal ownership.

The allocation of profits proposed in the Annual Report 2011 was adopted by the Government.

» RETURN ON ADJUSTED EQUITY AMOUNTED TO 9.5 PERCENT «

INCOME STATEMENT – PARENT ENTITY (MSEK)

OPERATING REVENUE	NOT	2012	2011
Network revenue	1	4,718	4,163
System operator revenue-electricity	2	4,445	4,391
Telecommunications revenue		56	88
System operator revenue – natural gas		50	41
Chargeable activities		11	10
Govt. grant for power contingency planning	3	201	236
Capitalised work for own account	4	96	76
TOTAL OPERATING REVENUE		9,577	9,005
OPERATING EXPENSES			
Personnel expenses	5	-381	-326
Purchase of loss power		-1,486	-1,279
Purchased balancing power		-3,918	-4,051
Other operating expenses	6	-2,186	-2,272
Depreciation of intangible and tangible assets	13,14	-620	-520
TOTAL OPERATING EXPENSES		-8,591	-8,448
OPERATING INCOME		986	557
INCOME FROM FINANCIAL INVESTMENTS			
Result from other securities and receivables that are fixed assets	9	21	7
Other interest income from similar income items	10	1	4
Interest expenses and similar expense items	11	-57	-23
INCOME AFTER FINANCIAL ITEMS		951	545

THE PARENT ENTITY, THE SVENSKA KRAFTNÄT PUBLIC UTILITY

Operating revenue amounted to SEK 9,577 (9,005) million, SEK 17 (66) million of which pertained to sales to group companies. Income after financial items amounted to SEK 951 (545) million.

The public utility's investments in tangible and intangible fixed assets amounted to SEK 2,879 (2,722) million. As per 31 December 2011, liquid funds amounted to SEK 140 (700) million.

The parent entity finances its operations with equity and loans in the National Debt Office. At year end borrowings amounted to SEK 1,854 (2,131) million and equity to SEK 8,403 (7,830) million.

During 2012 the public utility has received co-financing for a number of investment projects and used the capacity charges it has received to finance investments that are intended to enhance or maintain the transmission capacity of electricity in the national grid.

BALANCE SHEET – PARENT ENTITY (MSEK)

ASSETS

FIXED ASSETS	NOT	2012-12-31	2011-12-31
INTANGIBLE FIXED ASSETS	13		
Capitalised expenditure for computer programmes		**96**	116
Land rights		**56**	59
Rights of use		**28**	33
Construction work in progress		**126**	100
TOTAL TANGIBLE FIXED ASSETS		**306**	308
TANGIBLE FIXED ASSETS	14		
Buildings and land		**370**	232
Machinery and equipment		**9,454**	7,320
Construction work in progress		**3,546**	3,557
TOTAL TANGIBLE FIXED ASSETS		**13,370**	11,109
FINANCIAL FIXED ASSETS			
Shares and participations in Group companies	15	**12**	12
Receivables from Group companies		**88**	121
Shares and participations in associated companies	16	**47**	47
TOTAL FINANCIAL FIXED ASSETS		**147**	180
TOTAL FIXED ASSETS		**13,823**	11,597
CURRENT ASSETS			
INVENTORIES		**2**	2
CURRENT RECEIVABLES			
Accounts receivable		**638**	673
Receivables from Group companies		**22**	30
Receivables from associated companies		**29**	-
Other receivables		**31**	136
Receivables from the public utility's cheque account	19	**3**	27
Prepaid expenses and accrued income	20	**947**	927
TOTAL CURRENT RECEIVABLES		**1,670**	1,793
CASH AND BANK BALANCES		**140**	700
TOTAL CURRENT ASSETS		**1,812**	2,495
TOTAL ASSETS		**15,635**	14,092

BALANCE SHEET – PARENT ENTITY (MSEK)

EQUITY AND LIABILITIES

EQUITY	NOT	2012-12-31	2011-12-31
RESTRICTED EQUITY			
Government capital		**600**	600
Restricted reserves		**3 314**	3 314
TOTAL RESTRICTED EQUITY		**3 914**	3 914
Profit brought forward		**3 538**	3 371
Net income for the year		**951**	545
TOTAL UNRESTRICTED EQUITY		**4 489**	3 916
TOTAL EQUITY		**8 403**	7 830
INTEREST			
INTEREST-BEARING PROVISIONS			
Provisions for pensions	23	**633**	537
LIABILITIES			
INTEREST-BEARING LONG-TERM LIABILITIES	21	**1,854**	2,131
NON-INTEREST-BEARING LONG-TERM LIABILITIES	22	**3,273**	1,463
NON-INTEREST-BEARING CURRENT LIABILITIES			
Accounts payable		**623**	1 268
Liabilities to Group companies		**8**	8
Other liabilities		**29**	75
Accrued expenses and prepaid income	26	**812**	780
TOTAL NON-INTEREST-BEARING CURRENT LIABILITIES		**1,472**	2,131
TOTAL EQUITY AND LIABILITIES		**15,635**	14,092
PLEDGED SECURITIES		**NONE**	NONE
CONTINGENT LIABILITIES	27, 28	**0**	**0**

CASH FLOW STATEMENT – PARENT ENTITY (MSEK)

THE YEAR'S OPERATIONS	2012	2011
Operating income	986	557
Adjustment for items not included in cash flow		
Depreciation	606	513
Other items	-38	-15
Interest received	4	-
Interest paid	-30	-25
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	1,528	1,030
INVESTMENT ACTIVITIES		
Change in inventories	0	3
Change in current receivables	158	-77
Change in current liabilities	-308	-20
CASH FLOW FROM THE YEAR'S OPERATIONS	1,378	936
INVESTERINGSVERKSAMHETEN		
Investments in tangible and intangible fixed assets	-3,179	-2,180
Change in long-term receivables	33	12
Sale of fixed assets	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES	-3,146	-2,168
FINANCING ACTIVITIES		
Dividend received	18	3
Change in interest-bearing liabilities	-276	879
Change in other long-term liabilities	1,844	1,234
Advance payments from customers	-	2
Dividend paid	-378	-499
CASH FLOW FROM FINANCING ACTIVITIES	1,208	1,619
CASH FLOW FOR THE YEAR	-560	387
Liquid assets at the beginning of the year	700	313
Liquid assets at year-end	140	700

CHANGE IN EQUITY – PARENT ENTITY (MSEK)

	GOVERNMENT CAPITAL	OTHER PAID-UP CAPITAL	CAPITALIZED PROFITS INCL. NET INCOME FOR THE YEAR	TOTAL
OPENING BALANCE 2011	600	3,314	3,870	7,784
Dividend	—	—	-499	-499
Net income for the year	—	—	545	545
CLOSING BALANCE 2011	600	3,314	3,916	7,830
OPENING BALANCE 2012	600	3,314	3,916	7,830
Dividend	—	—	-378	-378
Net income for the year	—	—	951	951
CLOSING BALANCE 2012	600	3,314	4,489	8,403

of which restricted equity amounted to SEK 3,914 (3,914) million.
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	378,000	378,000

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 bookkeeping 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 income statements and balance sheets, cash flow statements and instead followed the Swedish Financial Accounting Standards Council's recommendations (RR 1:00). Changes in equity are recognized in accordance with IFRS. The reason is to give a more accurate picture of the Group's economic 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.

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.

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. If the customer has been an overall purchaser of power during the period, this is shown as balancing power income for Svenska Kraftnät. 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.

Revenues from capacity charges
Revenues from capacity charges relate to deduction from capitalized capacity fees to cover the costs of counter trading. Where appropriate, a compensation for realized price area risk exceeding SEK 50 million is deducted from capacity charges. The resulting capacity charges are governed by the European Parliament and Council Regulation (EC) 714/2009.

Other operating revenue is reported as revenue in conjunction with the provision of the service.

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. 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.

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.

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.

Svenska Kraftnät even signs currency futures in Euro for network losses.

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
SwePol Link Group	5.0
Control equipment in stations	6.7
Other station components	3.3
Fibre optic connections	4.0
Spare parts	6.7
Telecom and information systems	6.7-20.0
Gas turbine plants	5.0
PCs and equipment	33.3

PROVISIONS
A provision is reported in the balance sheet when there is a legal or informal undertaking as a consequence of an event that has occurred,

» THE INVESTMENTS IN 2012 DECREASED BY ALMOST SEK 396 MILLION TO SEK 2,375 MILLION «

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 3 percent 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 2012 or 2013 rate could be used in calculating the 2012 pension liability. The difference between them is, briefly, that the 2012 basis for calculation is based on a higher yield assumption (0.4% instead of 1.1%) which in turn leads to a higher pension liability. Svenska Kraftnät reports the liability according to the 2013 basis. The part of the change in pension provision that is a result of the change to the 2013 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.

BORROWING
Borrowing is reported at a nominal amount.

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

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

NOTES

NOTE 1. NETWORK REVENUE

	GROUP		PARENT ENTITY	
MSEK	**2012**	2011	**2012**	2011
Power revenue	**2,235**	1,971	**2,245**	2,030
Energy dependent revenue	**2,145**	1,757	**2,145**	1,757
Capacity charges	**26**	77	**26**	77
Transit revenue	**159**	209	**159**	209
SwePol Link	**222**	337	**-**	-
Settlement of capacity charges	**55**	11	**55**	11
Settlement of investment grants	**2**	1	**2**	1
Other revenue	**97**	78	**86**	78
TOTAL	**4,941**	4,441	**4,718**	4,163

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.

NOTE 2. SYSTEM REVENUE

	GROUP		PARENT ENTITY	
MSEK	**2012**	2011	**2012**	2011
Sold balancing power	**3,573**	3,360	**3,578**	3,361
Sold final power	**145**	292	**145**	292
Sold supportive power	**88**	68	**88**	68
Sold regulation power	**468**	569	**474**	569
TOTAL REGULATION POWER	**4,274**	4,289	**4,285**	4,290
Power reserve	**153**	95	**153**	95
Ediel revenues	**7**	6	**7**	6
TOTAL	**4,434**	4,390	**4,445**	4,391

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

GRANTS	Constituent transmission amount	Allocation for the year as per letter of governance	Total disposable funds	Expenses	Closing transmission amount
EXPENSE AREA 21 – ENERGY 1:10 Energy contingency planning					
Appropriation item 1, Electricity contingency planning	28,892	255,000	283,892	-200,689	83,203
TOTAL	**28,892**	**255,000**	**283,892**	**-200,689**	**83,203**

The discrepancy is due to the fact that electricity reserve installations could not be implemented as planned and that the environmental permit has not been submitted for dead network restart as well as the fact that compensation for gas turbines has not been paid because the company failed to comply with accessibility requirements.

CONDITIONS FOR THE GRANT ACCORDING TO THE LETTER OF GOVERNANCE (MSEK)	MAXIMUM AMOUNT	OUTCOME
Administrative expenses in the operation	24	17

The grants consumed during the course of the year amounting to SEK 201 (236) million have been chiefly used for compensation to the emergency reserve SEK 63 million, exercise and training SEK 18 million, the introduction of radio communication for effective leadership within the larger regional net companies SEK 7 million, measures for island operation SEK 7 million, safety measures SEK 22 million , dam safety SEK 11 million, administration SEK 17 million, purchase of mobile substation SEK 10 million and the operation and maintenance of the emergency reserve SEK 12 million. SEK 184 million of the yearly funds have been redistributed.

EXPENSE AREA 21 – ENERGY 1:10 Electricity contingency planning	Allocated framework for outstanding undertakings	Opening undertakings	Outstanding undertakings	Distribution per year 2013	2014	2015-
Appropriation item 1, Electricity contingency planning	290,000	327,233	283,059	143,421	71,611	68,027

NOTE 4. CAPITALIZED WORK FOR OWN ACCOUNT

GROUP AND PARENT ENTITY (MSEK)	2012	2011
Construction work in progress	**79**	63
Capitalized development of computer programmes	**17**	13
TOTAL	**96**	76

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 422 (375), 420 (373) of whom were in the parent entity and 2 (2) in Poland in the SwePol Link Group.

On 31 December 2012 the Group had 449 (399) permanent employees, of which 449 (397) were in the Group and 0 (2) in Poland in SwePol Link. The average number of employees during the year was 444 (388), of whom 442 (386) were in the Group, and 2 (2) in Poland in SwePol Link.

The distribution between men and women is shown in the table below. In Poland, there was one man and one woman employed up to October 2012.

TOT. AVERAGE EMPOYED	THE GROUP		PARENT UTILITY	
Number	**2012**	2011	**2012**	2011
Women	**149**	130	**148**	129
Men	**295**	258	**294**	257
TOTAL	**444**	388	**442**	386

The Group's staff expenses amounted to 382 (326), of which the payroll costs were 227 (195). To this shall be added pension expenses of 53 (42) and social expenses of 83 (70).

The parent entity's staff expenses amounted to 381 (326), of which the payroll costs were 225 (195). To this shall be added pension expenses of 53 (42) and social security expenses of 83 (70).

The Director General's salary amounted to SEK 1.3 (1.3) million and the pension expense for the year was SEK 0.6 (0.7) million according to calculations from the National Government Employee Pensions Board. The Deputy Director-General's salary amounted to SEK 1.1 (1.0) million and pension expenses amounted to SEK 0.8 (1.5) million.

THE BOARD OF DIRECTORS	2012	2011
Women	3	3
Men	6	6
TOTAL	9	9

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

THE BOARD OF DIRECTORS	ASSIGNMENTS AS BOARD OR COUNCIL MEMBER IN OTHER GOVERNMENT AUTHORITIES/LIMITED COMPANY	FEE
Bo Källstrand, Chairperson County Governor in Västernorrland County	Seventh AP-Fund, The National Government Employee Pensions Board (SPV), Ebba and Sven Schwartz foundation	83,004
Anna-Stina Nordmark-Nilsson, Vice Chairperson Senior advisor, CEO och owner Regina AB	Sveaskog AB, Sveaskog Förvaltning AB, Landsbygdsakademien	69,000
Mikael Odenberg, Director General	Member of the Swedish Agency for Government Employers, Total Defence's executive group and the Government's Emergency Management Committee and Coordination Council for Smart Grids	
Christer Samuelsson CEO and partner, Trinovo Sensa AB		56,004
Karin Stierna Municipal Commissioner, Strömsund municipality		56,004
Björn Carlsson CEO Ackkärrs Bruk. Consultant in investment banking		56,004
Bo Normark CEO Power Circle AB	Energy Development Board, Coordination Council for Smart Grids	56,004
Sara Jonsson, Staff representative SACO		
Stefan Ekberg, Staff representative ST		
TOTAL		**376,020**

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.

In 2012 remuneration for the members of the Contingency Planning Council in Swedish kronor amounted to:

CONTINGENCY PLANNING COUNCIL	
Kai Barwéll	2,925
Ann-Sofie Eriksson	975
Lena Hovmark	2,925
Lars Joelsson	2,925
Daniel Jonsson	2,925
Rémy Kolessar	2,925
Ove Landberg	2,925
Jan Mörtberg	1,950
Cecilia Nyström	1,950
Anders Richert	1,950
Mikael Toll	975
TOTAL	**25,350**

In 2012 remuneration for the members of the Dam Safety Council in Swedish kronor amounted to:

DAM SAFETY COUNCIL	
Henrik Löv	36,000

SEK 49,550 of the above amount has been paid in 2013.

In 2012 remuneration for the members of the Telecommunications Interference Board in Swedish kronor amounted to:

TELECOMMUNICATIONS INTERFERENCE BOARD	
Alf Andersson	32,000

NOTE 6. OTHER OPERATING EXPENSES

	GROUP		PARENT ENTITY	
MSEK	2012	2011	2012	2011
Energy crediting	520	431	520	431
Operation and maintenance	431	352	383	278
Plant fees	81	76	81	76
Transit expenses	55	91	55	91
Counter trade for national grid	26	70	26	70
Primary regulation	424	651	424	651
Disturbance reserve	78	80	126	129
Power reserve	156	102	156	102
Research and development	21	25	21	25
Electricity contingency planning expenses	158	197	182	221
Other expenses	241	221	212	198
TOTAL	2,191	2,296	2,186	2,272

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

	GROUP		PARENT ENTITY	
MSEK	2012	2011	2012	2011
Swedish National Audit Office	1.5	1.1	1.5	1.1
Other auditors	0.4	0.3	-	-
AUDITING EXPENSES	1.9	1.4	1.5	1.1
Consultants, Ernst & Young	2.7	1.5	-	-
TOTAL	4.6	2.9	1.5	1.1

NOTE 7. SHARE OF INCOME IN ASSOCIATED COMPANIES

GROUP (MSEK)	2012	2011
Nord Pool Spot AS	21	6
STRI AB	1	1
Kraftdragarna AB	1	2
TOTAL	23	9

» NET INCOME FOR THE YEAR AMOUNTED TO SEK 923 MILLION «

NOTE 8. OPERATING INCOME PER BUSINESS SEGMENT

	OPERATING REVENUE		OPERATING INCOME	
GROUP (MSEK)	**2012**	2011	**2012**	2011
Transmission on the national grid	**5,037**	4,517	**1,066**	883
System operator - electricity	**4,434**	4,390	**-96**	-287
Telecommunications - external	**56**	88	**4**	36
Telecommunications - internal	**55**	55	**2**	4
System operator for gas	**50**	41	**1**	3
Chargeable activities	**11**	10	**2**	2
Associated companies	**-**	-	**23**	9
Contingency operations	**201**	236	**0**	0
Segment elimination	**-55**	-55	**-**	-
TOTAL	**9,789**	9,282	**1,002**	650

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 SEK 55 (55) million, which is reported as operating income for Telecommunications and a corresponding increase in operating expense for the Transmission of Electricity 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 96 (76) million.

Investments per business segment are divided according to the table below:

MSEK	**2012**	2011
Chargeable activities	**2,341**	2,724
Associated companies	**2**	16
Contingency operations	**32**	27
Segment elimination	**0**	4
TOTAL	**2,375**	2,771

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

	GROUP		PARENT ENTITY	
MSEK	**2012**	2011	**2012**	2011
Dividend on shares and participations in associated companies	**-**	-	**18**	3
Interest income on long-term receivables in subsidiaries	**-**	-	**3**	4
TOTAL	**-**	-	**21**	7

NOTE 10. OTHER INTEREST INCOME AND SIMILAR INCOME ITEMS

	GROUP		PARENT ENTITY	
MSEK	**2012**	2011	**2012**	2011
Interest income from bank balances	**1**	2	**0**	1
Interest income from currency futures	**-**	2	**-**	2
Other interest income	**1**	1	**1**	1
TOTAL	**2**	5	**1**	4

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

NOTE 11. INTEREST EXPENCES AND SIMILAR EXPENCE ITEMS

	GROUP		PARENT ENTITY	
MSEK	**2012**	2011	**2012**	2011
Interest expenses, pension liability	**58**	33	**58**	33
Interest expenses, long-term credit	**13**	21	**-**	-
Interest expenses, National Debt Office loan	**24**	25	**24**	25
Interest expenses, current liabilities	**1**	1	**1**	1
Interest expenses, currency futures	**11**	5	**11**	5
Capitalised interest for new construction	**-38**	-41	**-38**	-41
Exchange rate difference	**-3**	3	**1**	-
TOTAL	**66**	47	**57**	23

NOTE 12. TAX ON INCOME FOR THE YEAR

KONCERNEN (MSEK)	**2012**	2011
Current tax	**-11**	-14
Deferred tax	**-4**	0
TOTAL	**-15**	-14

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	211	178	80	100	569
Acquisitions	-	-	-	40	40
sales/disposal	-3	0	-	-	-3
Reclassifications	12	-	2	-14	0
CLOSING ACCUMULATED ACQUISITION VALUE	220	178	82	126	606
Depreciation brought forward	95	119	47	-	261
Sales/disposal	-3	0	-	-	-3
Depreciation of the year	32	3	7	-	42
ACCUMULATED DEPRECIATION CARRIED FORWARD	124	122	54	-	300
PLANNED RESIDUAL VALUE CARRIED FORWARD	**96**	**56**	**28**	**126**	**306**
Depreciation last fiscal year	37	3	6	-	46

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 programmes.

NOTE 14. TANGIBLE FIXED ASSETS

GROUP (MSEK)	Buildings and land	Machinery and other technical facilities	Construction work in progress	Total
Opening acquisition value	1,017	19,260	3,557	23,834
Acquisitions	0	2	2,333	2,335
Sales/disposal	-469	-760	-	-1 229
Depreciation in connection with disposal	-	-95	-	-95
Reclassifications	158	2,186	-2,344	0
CLOSING ACCUMULATED ACQUISITION VALUE CARRIED FORWARD	706	20,593	3,546	24,845
Depreciation brought forward	571	10,798	-	11,369
Sales/disposal	-283	-483	-	-766
Depreciation for the year	35	639	-	674
ACCUMULATED DEPRECIATION CARRIED FORWARD	323	10,954	-	11,277
PLANNED RESIDUAL VALUE CARRIED FORWARD	**383**	**9,639**	**3,546**	**13,568**
Depreciation last fiscal year	37	582	-	619

PARENT ENTITY (MSEK)	Buildings and land	Machinery and other technical facilities	Construction work in progress	Total
Opening acquisition value	539	16,763	3,557	20,859
Acquisitions	-	2	2,837	2,839
Sales/disposal	-9	-76	-	-85
Depreciation in connection with disposal	-1	-12	-	-13
Reclassifications	158	2,692	-2,848	2
CLOSING ACCUMULATED ACQUISITION VALUE CARRIED FORWARD	687	19,369	3,546	23,602
Depreciation brought forward	307	9,443	-	9,750
Sales/disposal	-9	-74	-	-83
Depreciation for the year	19	546	-	565
ACCUMULATED DEPRECIATION CARRIED FORWARD	317	9,915	-	10,232
PLANNED RESIDUAL VALUE CARRIED FORWARD	**370**	**9,454**	**3,546**	**13,370**
Depreciation last fiscal year	14	452	-	**466**

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 297 (263) million.

NOTE 15. SHARES AND PARTICIPATIONS IN GROUP COMPANIES

COMPANY	CORPORATE NUMBER	DOMICILE	SHARE (%)	QUANTITY	NOMINAL VALUE	BOOK VALUE
Svenska Kraftnät Gasturbiner AB	556451-0260	Stockholm	100	900	9	9
SwePol Link AB	556530-9829	Stockholm	51	306,000	3	3
SUMMA					**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	28.78	4,320	64	42
STRI AB	556314-8211	Ludvika	25	375	15	4
Kraftdragarna AB	556518-0915	Västerås	50	5,000	15	1
Elforsk AB	556455-5984	Stockholm	25	750	1	0
Triangelbolaget D4 AB	556007-9799	Stockholm	25	525	0	0
TOTAL					**95**	**47**

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

NOTE 17. LONG-TERM RECEIVABLES – THE GROUP

MSEK	2012	2011
Deposits, allowances	**1**	0
Deferred tax	**2**	14
TOTAL	**3**	14

Deferred tax assets are attributable to SwePol Link Group and refer to temporary differences in equity.

NOTE 18. OTHER CURRENT RECEIVABLES – THE GROUP

MSEK	2012	2011
Receivables from associated companies	**29**	0
Other receivables	**31**	174
Receivable from the public utility's overdraft facility	**3**	27
TOTAL	**63**	201

NOTE 19. DEDUCTION PUBLIC UTILITY

	PARENT ENTITY	
TSEK	**2012**	2011
Collection		
Reported in income title	**-378,000**	-499,000
Collected funds paid to non-interest bearing flow	**378,000**	499,000
	0	**0**
APPROPRIATIONS IN NON-INTEREST BEARING FLOW		
Opening balance (amount receivable +, debts	**26,910**	61,028
Reported against appropriations	**200,689**	235,884
Average attributable to transfers etc. paid to non-interest-bearing flow	**-225,001**	-270,002
CLOSING BALANCE	**2,598**	**26,910**

The receivable carried forward of SEK 3 (27) 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 20. PREPAID EXPENSES/ACCRUED INCOME

	GROUP		PARENT ENTITY	
MSEK	**2012**	**2011**	**2012**	**2011**
Prepaid expenses - other	**23**	**25**	**23**	**24**
Accrued income, network	**335**	**287**	**335**	**287**
Prepaid expenses, system operator	**579**	**592**	**579**	**592**
Prepaid expenses, renewable electricity certificates	**3**	**3**	**3**	**3**
Prepaid expenses, natural gas	**4**	**4**	**4**	**4**
Prepaid expenses, other	**3**	**18**	**3**	**17**
TOTAL	**947**	**929**	**947**	**927**

NOTE 21. LONG-TERM INTEREST BEARING LIABILITIES

	GROUP		PARENT ENTITY	
MSEK	**2012**	2011	**2012**	2011
Liability to National Debt Office	**1,854**	2,131	**1,854**	2,131
Credit institutions	**-**	637	**-**	-
TOTAL	**1,854**	2,768	**1,854**	2,131

The liability to the National Debt Office is for the current loan parameter. Of the other external loans, a total of SEK 0 (308) million falls due for payment after five years in the case of the Group and SEK 0 (0) million for the parent entity.

»DEVELOPMENT, RESPONSIBILITY, EFFICIENCY, CLARITY«

NOTE 22. LONG-TERM LIABILITIES – NON-INTEREST BEARING

	GROUP		PARENT ENTITY	
MSEK	**2012**	2011	**2012**	2011
Contributions from land owners	**346**	476	**346**	476
Undistributed investment grants	**319**	196	**319**	196
Capitalised investment grants	**205**	47	**205**	47
Settled investment grants	**-3**	-1	**-3**	-1
Undistributed capacity charges	**199**	9	**199**	9
Capitalised capacity charges	**2,224**	686	**2,224**	686
Settled capacity charges	**-66**	-11	**-66**	-11
Advance payments from fibre optic customers	**48**	60	**48**	60
ADVANCE	**-**	-	**1**	1
Advance payments from other customers	**-**	332	**-**	-
SUMMA	**3,272**	1,794	**3,273**	1,463

NOTE 23. PROVISIONS FOR PENSIONS

GROUP AND PARENT ENTITY (MSEK)	**2012**	2011
OPENING BALANCE	**537**	478
Pensions paid	**-10**	-7
Annual indexation of pension liability	**45**	32
Ditto provisions for payroll tax	**8**	7
Adjustment of liability and payroll tax due to change of calculation method (reduced interest rate assumptions)	**53**	27
BALANCE CARRIED FORWARD	**633**	537

NOTE 24. OTHER PROVISIONS

KONCERNEN (MSEK)	**2012**	2011
Allocation of allowances	**0**	-
Deferred tax liabilities	**32**	40
TOTAL	**32**	40

Deferred tax liabilities are attributable to untaxed reserves.

NOTE 25. CURRENT LIABILITIES NON – INTEREST-BEARING LIABILITIES

	GROUP		PARENT ENTITY	
MSEK	**2012**	2011	**2012**	2011
Short-term part of long-term loan from credit institution	**-**	82	**-**	-
TOTAL	**-**	82	**-**	-

NOTE 26. ACCRUED EXPENSES/PREPAID INCOME

	GROUP		PARENT ENTITY	
MSEK	**2012**	2011	**2012**	2011
Accrued expense balancing power	**486**	388	**486**	388
Accrued expense, primary regulation	**35**	26	**35**	26
Accrued expenses, power reserve	**27**	14	**27**	14
Accrued expense, energy compensation	**53**	42	**53**	42
Accrued expense, transmission losses	**0**	143	**0**	143
Accrued expenses, disturbance reserve	**6**	7	**6**	7
Transit compensation	**67**	48	**67**	48
Accrued staff expenses	**22**	29	**22**	29
Accrued leases on fixed assets	**15**	17	**15**	17
Accrued maintenance expenses	**19**	16	**19**	16
Accrued contingency expenses	**14**	19	**14**	19
Accrued expenses, natural gas	**3**	4	**3**	4
Accrued expenses, investment	**31**	0	**31**	0
Accrued expenses, other	**29**	26	**28**	17
Prepaid telecommunications revenue	**6**	10	**6**	10
Prepaid income, other	**0**	0	**0**	0
TOTAL	**813**	789	**812**	780

NOTE 27. 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 28. FUTURE LEASING COMMITMENTS

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.

	GROUP		PARENT ENTITY	
MSEK	**2012**	2011	**2012**	2011
Within one year	**275**	270	**347**	343
Later than one year but within five years	**647**	637	**791**	781
Later than five years	**415**	482	**415**	482
TOTAL	**1,337**	1,389	**1,553**	1,606

07. PROPOSED DISPOSITION OF PROFITS

The Government's share of non-restricted equity amounts to SEK 4,711 million, of which the profit for the year is SEK 950 million.

Of the parent entity's non-restricted equity of SEK 4,489 million, of which the result for the year amounts to SEK 951 million, it is proposed that SEK 618 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 2012.

We certify that the annual report provides a correct picture of the profit/loss of the organisation and also of expenses, revenues as well as the authority's and the Group's financial position.

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

Sundbyberg 21 February 2013

Bo Källstrand
CHAIRPERSON

Anna-Stina Nordmark-Nilsson
VICE CHAIRPERSON

Mikael Odenberg
DIRECTOR GENERAL

Christer Samuelsson

Karin Stierna

Björn Carlsson

Bo Normark

Sara Jonsson
STAFF REPRESENTATIVE SACO

Stefan Ekberg
STAFF REPRESENTATIVE ST

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

AUDITOR'S REPORT
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 2012, dated 21-02-2013.

THE RESPONSIBILITY OF THE AUTHORITY'S MANAGEMENT FOR THE ANNUAL FINANCIAL REPORT
It is the management of the authority that is responsible for preparing an annual financial report that gives a true and fair picture according to the Annual Reports and Budget Documentation Ordinance (2000:605), as well as in accordance with 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 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 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 contains significant errors.

An audit entails using various procedures to collect audit evidence relating to amounts and other information in the annual financial report, 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, 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 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.

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 2012 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.

Erik Norblad who was in charge of the assignment, presented this report.

Henrik Söderhielm, Erik Norblad

BOARD OF DIRECTORS

Bo Källstrand
CHAIRPERSON

Born 1949, appointed 2009.
County Governor Västernorrlands län. Chairperson seventh AP-fund, member of The National Government Employee Pensions Board , SPV as well as member of Ebba and Sven Schwartz Foundation.

Anna-Stina Nordmark-Nilsson
VICE CHAIRPERSON

Born 1956, appointed 2004.
CEO and owner Regina AB, board member of Sveaskog AB, Sveaskog Förvaltning 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 Strömsund.

Björn Carlsson

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

Bo Normark

Born 1947, appointed 2010.
CEO Power Circle AB.
Vice Chair Coordinating Council for Smart Grid. Member of the Board for Energy Development at the Swedish Energy Agency and.

Sara Jonsson
EMPLOYEE REPRESENTATIVE SACO

Born 1982, appointed 2010.

Stefan Ekberg
EMPLOYEE REPRESENTATIVE ST

Born 1956, appointed 2012.

DEFINITIONS

KEY DEFINITIONS

RETURN ON ADJUSTED EQUITY
Profit after financial items, minus standard tax (26.3 %) in relation to adjusted equity. Adjusted equity is calculated as the average of the year's opening and closing restricted equity (state capital and restricted reserves) and 73.7 % of non-restricted equity.

RETURN ON ASSETS
Profit after financial items plus interest expense divided by total average assets.

RETURN ON CAPITAL EMPLOYED
Profit after financial items plus interest expense divided by average capital employed. Average capital employed consists of total assets less non-interest-bearing liabilities including deferred tax, equity.

SOLVENCY
Adjusted shareholders' equity at year-end divided by total capital. Adjusted equity is defined in "Return on adjusted equity.".

OPERATING MARGIN
Operating income in relation to operating revenue.

NET PROFIT MARGIN AFTER TAX
Profit net of tax, related to operating revenue.

DEBT RATIO
Interest-bearing net debt divided by adjusted shareholders' equity, including minority interests.

FINANCING RATIO
Cash flow before changes in working capital and investments divided by net investment.

INTEREST COVERAGE RATIO
Net income plus interest expense divided by interest expense.

NET LIABILITIES
Allocation and interest-bearing liabilities less interest bearing assets.

CAPITAL TURNOVER RATE
Turnover divided by average total assets.

INTERNALLY GENERATED FUNDS
Cash flow from operating activities, taken from the cash flow statement.

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KRAFTNÄT