SVENSKA KRAFTNÄT
ANNUAL REPORT 2013

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

NET INCOME FOR THE YEAR AMOUNTED TO SEK 850 MILLION

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THE INVESTMENTS AMOUNTED TO SEK 3,642 MILLION, AN INCREASE BY SEK 1,267 MILLION

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RETURN ON ADJUSTED EQUITY INCREASED TO 8,6%

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THE DEBT/EQUITY RATIO AMOUNTED TO 54.8%

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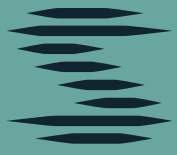
THE NUMBER OF PERMANENT EMPLOYEES AT THE END OF THE YEAR WAS 478



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»CONTINUED HIGH INVESTMENT LEVEL«

The strong Swedish power balance remains. In 2012 a new record was achieved when Sweden was able to export 20 TWh net. In the past year, net exports were 10 TWh, despite hydropower producing less than normal. However both Swedish wind power and the nuclear power plant at Forsmark hit a new production record of 10 and 25 TWh respectively.

Swedish electricity prices have remained low and price differences within the country have further declined. The average price difference between electricity area Malmö (SE4) and electricity area Stockholm (SE3) has fallen from 1.7 öre per kWh in 2012 to only 0.4 öre per kWh in 2013.

After more than two years of bidding areas, it can be seen that Sweden has had a common electricity price for about 90 percent of the time. Major price differences between SE4 and other bidding areas have only really occurred on three occasions.

The first occasion was in November 2011, when all four reactors at Ringhals were shut down. The second was during the summer of 2012 when Svenska kraftnät reconstructed the lines and substations in Hallsberg and Ekhyddan, which limited transmission capacity to southern Sweden. Although the price differential was huge, it was summer time with low consumption and low electricity prices. The third episode occurred in November 2013, when transmission capacity was restricted due to problems with the equipment in one of the grid stations.

CONTINUED HIGH INVESTMENT LEVEL

The energy sector accounts for about 40 percent of the total industrial investments in Sweden. Compared with the first half of the 2000s, Svenska kraftnät has increased annual investments from the level of SEK 300 – 400 million to the level of SEK 4000-5000 million.

There are several driving forces behind the rapidly increasing volume of investment. The main one is climate policy, increases of output of several nuclear power plants, the goal of removing bottlenecks in transmission capacity in the country and increased integration with the outside world.

In April, the Board approved the Perspective Plan 2025 - a development plan for the Swedish national grid. This is the first time that Svenska kraftnät has established and published a long-term plan. It is important for the utility to be able to prioritize activities and investments in the short-term and dimension Svenska kraftnät's line and project organisations correctly.

In five years the number of employees has increased from about 300 to about 475. The growth will continue in 2015 and then level off at a level between 575 and 600 full-time employees.

Intensive work is now underway with developing the organisation and work towards improved planning, procurement, project management, monitoring and documentation. During the year a management programme has been put in place to improve coordination, prioritization and resource planning within plant construction projects. A dedicated procurement unit has also been set up.

FOCUS ON THE WORKING ENVIRONMENT AND ENVIRONMENT

A far greater focus and increased resources have been put on health, the environment and safety. In particular, efforts around the working environment have been intensified in the utility's construction projects. In-house working environment training is carried out and an easy to use incident management system is being introduced.

Environmental work is also important. Svenska kraftnät's environmental management system has been certified according to ISO 14001 standard for two years.

During the year criticism has been levelled against Svenska kraftnät because it sometimes uses creosote impregnated timber sleepers in the foundations of pylons. Some municipalities have sought to prohibit Svenska kraftnät's construction method and this will be tested in an environmental court.

Svenska kraftnät is pursuing development work to find better alternatives. Current use refers to analysis indicating that steel or concrete foundations are environmentally worse in a life cycle perspective.

The utility's use of creosote-treated timber is permitted under EU chemicals regulation, which takes precedence over national law. Nor is a license required for its use by the Swedish Chemicals Agency. Therefore it has been fundamentally important for Svenska kraftnät that creosote use – despite criticism from municipalities and individuals – is tested in court, so that the correct legal position on the matter is clarified.

INTEGRATION WITH THE OUTSIDE WORLD

During the year, the planning of SydVästlänken's western branch between Nässjö and Oslo was interrupted. In light of new planned connections from Norway to England and the continent, an additional connection with Sweden is not a priority. From a strictly Nordic perspective, this is to be regretted, as there are significant limitations in transmission capacity between countries. On the other hand, it is an expression that Scandinavia now looks increasingly toward the continent. This can also be seen as a sign that the large intra-Nordic projects have already been implemented.

Sweden's integration with the outside world is by any standards very high. The project now underway is NordBalt – the submarine cable to Lithuania, which in 2016 will link the emerging Baltic electricity market to the Nordic. Furthermore, conversations have started with the German system operator 50 Herz about building a new connection between Sweden and eastern Germany. The prospects for that connection will be affected however by market developments in Europe.

CAPACITY MARKETS?

Scandinavia, Western Europe and the UK have recently had their prices linked. This means that the electrical power exchanges simultaneously and in the same way calculate market prices and trading volumes between areas for the next delivery day. But despite the EU's declared ambition to create a common European electricity market, there is currently a significant lack of clarity about what the future market design will look like.

In several countries, renewable electricity has been subsidized to the extent that they are now considering subsidizing old condensing power plants, which have become unprofitable but necessary when there is no wind. In Poland, Germany, France, Italy and the United Kingdom the introduction of different capacity mechanisms has been discussed, which risks distorting competition and impeding electricity trade between countries. At home, Svenska kraftnät has investigated the Swedish power reserve. Unlike the capacity reserves that are discussed on the continent, the Swedish reserve essentially is a sort of extended "disturbance reserve" i.e. it is designed to handle extreme situations that might occur during cold weather and a significant loss of production plants. Svenska kraftnät's conclusion is that the gradual phasing out of the Swedish power reserve can continue.

FINAL WORDS

Svenska kraftnät revenues and costs are largely dependent on fundamental external factors that are difficult to forecast. The outcome in 2013 has been better than budgeted for.

Overall, Svenska kraftnät reports a surplus of SEK 850 million, which exceeds the Government's required return.

Stockholm, February 2014
MIKAEL ODENBERG

RESPONSIBLE FOR KEEPING SWEDEN GOING

Svenska kraftnät is 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 16 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. Svenska kraftnät is also the authority responsible for electricity contingency planning and the supervising authority for dam safety in the country.

In Sundbyberg there is a national control room from where the grid is monitored and controlled around the clock. Svenska kraftnät also has offices in Sundsvall and Halmstad as well as an operations centre in Sollefteå. At the end of 2013 the utility had 478 permanent employees, most of them working at the headquarters in Sundbyberg. In addition, several hundred people are employed on a consulting and contracting basis around the country.

Operations are financed largely by fees which regional and large power generators, such as nuclear power plants, pay Svenska kraftnät for transmission of electricity on the grid. The Swedish Parliament sets the framework for Svenska kraftnät's investment and financial activities. The Government states in instructions and appropriations the objectives, reporting requirements and financial conditions that apply to the utility.

AN IMPORTANT ROLE IN CLIMATE POLICY

Svenska kraftnät must promote an open Swedish, Nordic and European electricity market. The utility develops the national grid and electricity market in order to meet society's need for a safe, environmentally friendly and cost-effective electricity supply. Thus, Svenska kraftnät also has an important role in climate policy.

SVENSKA KRAFTNÄT'S ROLE IN THE ELECTRICITY MARKET

Svenska kraftnät's network customers are companies that own facilities connected to the national grid – major production facilities and regional grids. A prerequisite for the balance between supply and use of electricity is that production is planned based on a forecast of consumption. These forecasts are based on information from the balance providing companies.

Balance provider companies are those companies that via contract with Svenska kraftnät, have taken on the responsibility to ensure that access to electricity is the same as the electricity consumed. Electricity generators and electricity suppliers are examples of balance providers. An electricity supplier may itself be a balance provider or may transfer responsibility to another entity. 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 ROUTE ELECTRICITY TAKES

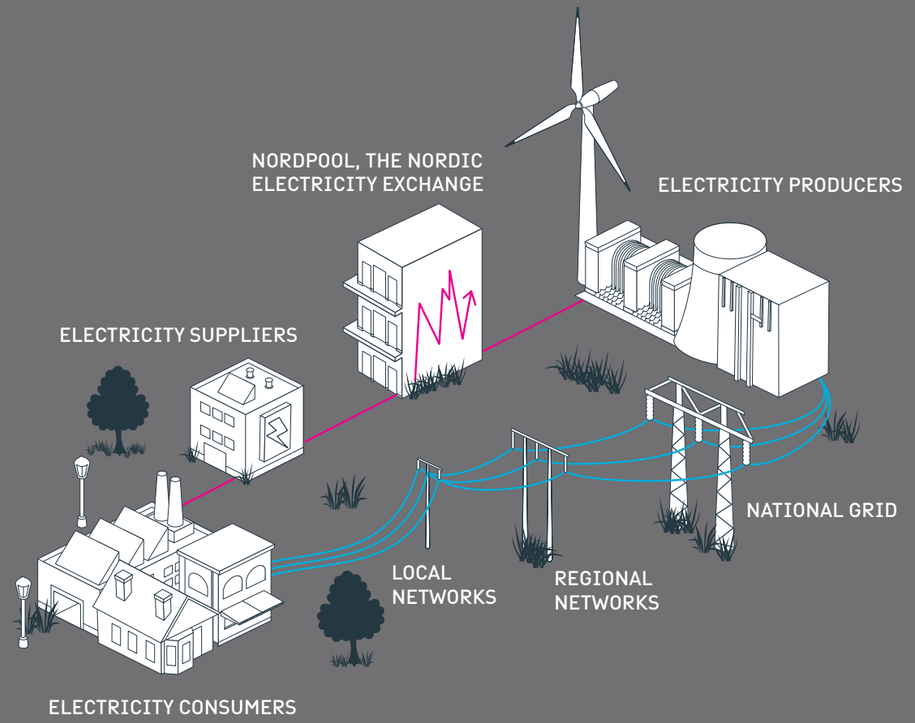
The electricity market consists of two parts – the transmission of electricity (physical) and also electricity trade (financial). The physical part is when electricity is transported from power stations to the electricity user. Electricity networks, which consist of local, regional and national grid, constitute natural monopolies which are under the supervision of the Inspectorate.

The financial part is the trade of electricity, which means producers sell electricity, usually through the electricity exchange to electricity suppliers who in turn sell it to the electricity user. This activity takes place with open competition between operators. Thus the electricity user pays for two different services: for electricity consumed and to get the electricity transmitted on networks.

The marketplace for trading in electricity is the Nordic power exchange Nord Pool Spot that has a spot market (physical trade) for the trading of electricity per hour for the next day. Nord Pool Spot is owned by grid companies in the Nordic and Baltic countries and is headquartered in Oslo. The Stockholm Stock Exchange Nasdaq OMX has a futures market (financial trading) for long-term trading where the operator can secure their electricity prices for several years in the future. Most trade per hour takes place on the spot market, while a smaller part is done bilaterally between electricity generators and electricity suppliers. Even long-term trade may be bilateral, usually with the help of brokers.

Electricity market participants also include system operators in other countries. Svenska kraftnät is working closely with the system operators in Norway, Finland and Denmark to run the electricity system effectively. International cooperation is constantly evolving, having a steadily more strong European focus. All European national grid operators cooperate in the organisation ENTSO-E [1].

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



»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

AN EVENTFUL YEAR

JANUARY

The Nordic system operators begin a trial of a new common automatic frequency restoration reserve (FRR-A) for larger frequency deviations.

FEBRUARY

The investment plan for 2014 – 2016 is submitted to the Government. Svenska kraftnät investment is estimated at SEK 14 billion for the period, mainly because of energy policy objectives, increased power input from nuclear power plants and increased market integration.

Director General Mikael Odenberg participates in Japan Renewable Energy Foundation talks and seminars in Tokyo on Japanese electricity market reform.

APRIL

The Svenska kraftnät Board decides – in collaboration with the Norwegian Statnett – to close down the western branch of the SydVästlänken project. The reason is that the branch can no longer be justified from a market perspective.

The Board adopts the Perspective Plan 2025. The long-term plan for the development of Svenska kraftnät specifies Svenska kraftnät priorities for ten to fifteen years.

MARCH

The annual customer and stakeholder meeting brings together industry and market participants. Svenska kraftnät presents the long-term investment plans and organises panel discussions on topics such as wind power and electricity. Speaker Gedvilas i Seimas (Lithuanian Parliament) visits Svenska kraftnät along with former Prime Ministers Kubilius and Kirkilas.

MAY

Svenska kraftnät signs contracts for two sections of SydVästlänken's northern branch. These are the last of the project and means that Svenska kraftnät has procured contracts for a total of SEK 5.2 billion in the SydVästlänken project.

JUNE

The power reserve for the winter 2013/2014 is procured. Svenska kraftnät will dispose of 1,489 MW, of which 531 MW represents consumption reductions. Swedgas AB takes over the system and balance provision on the gas network in Sweden from Svenska kraftnät.

AUGUST

Svenska kraftnät submits this year's power balance report to the Government. It evaluates how the power balance is maintained during the winter 2012/2013 and provides a forecast for the coming winter. The report found small differences within the country and a continued strong power balance.

SEPTEMBER

Svenska kraftnät signs a connection agreement with Gotlands Energi AB (GEAB) on a new electricity connection to Gotland, which allows for a future, large-scale deployment of wind power on the island.

NOVEMBER

The Government submits a bill on the classification of hydroelectric dams on the basis of social impact in event of an accident. Svenska kraftnät's regulatory guiding role is outlined in the proposal and dam owners are given clearer responsibilities related to security.

General Director Mikael Odenberg participates in an energy seminar at the Nobel Prize Memorial Week in New Delhi.

OCTOBER

The Government gives Mikael Odenberg, Director General since 2008, a continued mandate to the end of February 2017.

The Board adopts the grid tariff for 2014. The capacity charge is kept unchanged while the usage fee is reduced due to lower costs for the procurement of loss electricity.

The Board raises the balance providers' fees for 2014 due to increased costs for reserves.

Deputy Director-General Bo Krantz and Chief Financial Officer Magnus Stephansson participate in the 22nd World Energy Congress in Daegu, Korea.

An evaluation of the current closure of the Swedish power reserve is submitted to the Ministry for Enterprise, Energy and Communications. The report finds that the conditions that formed the basis for the 2010 parliamentary decision are still valid. Svenska kraftnät proposed, however, to decide upon the division of production reserves and consumption reductions.

DECEMBER

A new research and development plan for 2014 – 2016 is established. The plan priorities include the areas of renewable energy, smart grid projects and collaborations with universities.

Svenska kraftnät, together with Statnett and Fingrid, starts a company, eSett Oy, which will handle a common Nordic balance settlement with a planned start in 2015.

FINANCIAL OVERVIEW 2013

2013 IN BRIEF

OPERATIONS DURING THE YEAR		2013	2012
Energy supplied to the grid	TWh	**119.3**	123.5
Withdrawn energy from the grid	TWh	**116.5**	120.0

OPERATIONAL RELIABILITY			
Disturbances on the national grid	No.	**177**	202
Disturbances with power failure	No.	**1**	3
Energy not supplied (ENS)	MWh	**0,2**	7
Power not supplied (PNS)	MW	**10**	23

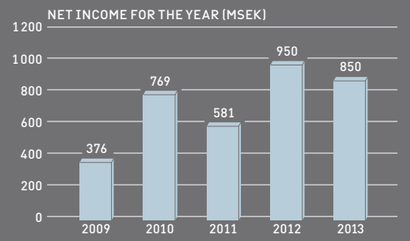
FINANCIAL FACTS			
Group operating revenue	MSEK	**10 111**	9 789
Consolidated profit *	MSEK	**850**	950
Return on adjusted equity**	%	**8.6**	9.5
Debt/equity ratio	%	**54.8**	30.4
Investments	MSEK	**3 642**	2 375
Total assets	MSEK	**18 635**	15 932

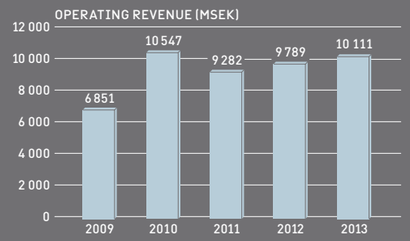
EMPLOYEE INFORMATION			
Permanent employees	No.	**478**	**449**

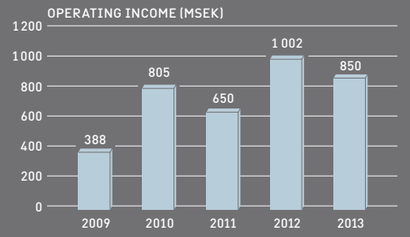
* Net income is presented starting in 2013 including minority share of income, the comparative figures for previous periods have been adjusted.

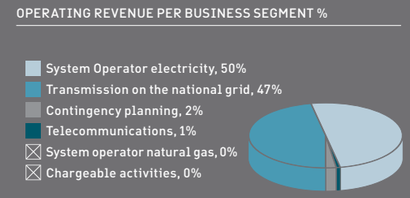
** After tax equivalence 22 percent. From 2012, the key figures of earnings before taxes are estimated against previous ones in the year's results. Key figures for the period 2007-2011 have not been adjusted.

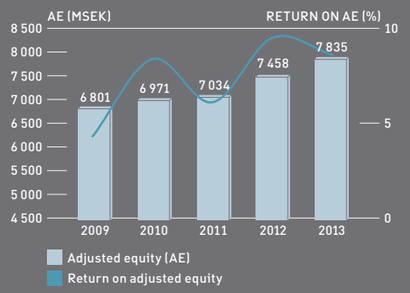
ECONOMIC DEVELOPMENT

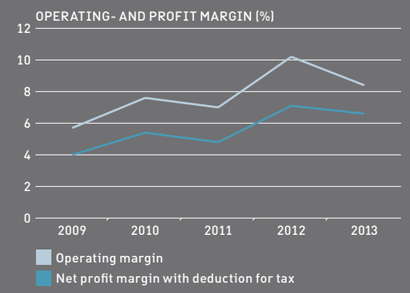












WHAT DRIVES OUR WORK AT SVENSKA KRAFTNÄT

Svenska kraftnät is undergoing an intense period where the parent entity is expanding and strengthening the grid.

FACTORS AFFECTING THE DEVELOPMENT OF THE NATIONAL GRID

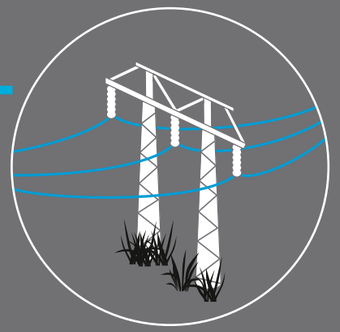
CLIMATE OBJECTIVES

- The EU's climate and energy package to promote renewable energy
- Continued expansion of wind power and increased wind power integration

A COMMON EUROPEAN ENERGY MARKET

- The third internal market package for electricity and gas - enhance competition in electricity and natural gas markets
- A safe and secure energy supply to European consumers
- An increased market integration in northern Europe

IMPROVED RELIABILITY

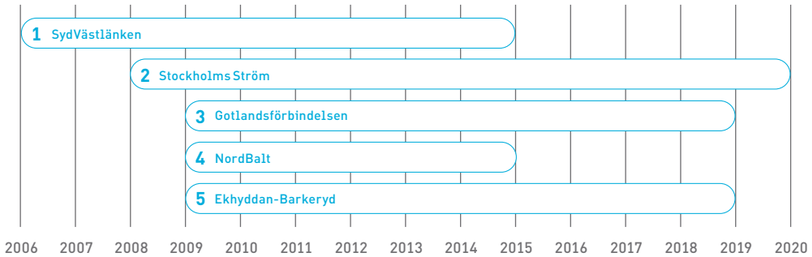


- The increased dependence on electricity requires a reliable national grid
- Major need for reinvestments
- Increased amount of renewable generation affects the electrical system's balance position

SVENSKA KRAFTNÄT'S LONG-TERM INVESTMENTS

Svenska kraftnät is undergoing an intense period where the parent entity is expanding and strengthening the grid. Energy and climate policies are the largest and most comprehensive drivers for network investments today and in the future. Overall, the volume of investments up until 2025 will be SEK 55–60 billion. This volume includes both new investments and reinvestments. Some of the utility's ongoing investments are:

1. **SydVästlänken** - SydVästlänken built to enhance the reliability and capacity of the Swedish national grid. The connection is also important to plan for the large-scale expansion of wind power.
2. **Stockholms Ström** - Together with electricity network companies Vattenfall and Fortum, Stockholms Ström reinforces Svenska kraftnät's electricity supply to the capital to allow the region's continued growth. Just over fifty subprojects are being implemented, including new ground cables, submarine cables, overhead lines, tunnels and substations.
3. **Gotlandsförbindelsen** – Svenska kraftnät has decided to build an electricity network connection between Gotland and the mainland to enable large-scale deployment of wind power on Gotland.
4. **NordBalt** – Svenska kraftnät together with Lithuanian national grid operator LitGrid AB is building a DC connection between Sweden and Lithuania. When the cable to Sweden is complete, the Baltic countries will be fully integrated with the Nordic and European electricity market.
5. **Ekhyddan-Barkeryd** – Svenska kraftnät is planning to build a new 400 kV line in northern Småland. The grid needs to be strengthened after the rebuilding and increase in power that has been implemented at the Oskarshamn nuclear power plant.



WHAT DOES THE INVESTMENT VOLUME MEAN FOR SVENSKA KRAFTNÄT?

The extensive volume of investment places higher demands on both financing and capacity to manage the increased pace of investment in operations.

To meet the challenges ahead, Svenska kraftnät has hired many new employees in recent years. Svenska kraftnät aims to become one of Sweden's best workplaces. By way of this goal the utility aims to be a modern and stimulating workplace that is committed to recruiting, retaining and developing the right skills.

A GROWING ORGANISATION REQUIRES CLEAR LEADERS

A growing organisation also places greater demands on leaders. Clear and goal-oriented management is one of several important characteristics that Svenska kraftnät is aiming at. This is achieved by developing the leaders in the organisation and giving them the relevant tools to manage leadership's many dimensions.

...AND SKILLED EMPLOYEES

According to employee surveys Svenska Kraftnät employees are attracted to the operation's critical societal missions and challenges. Transparency pervades the utility's culture and this is one of many features that are taken into account during recruitment.

Other key features of the utility's employees are the willingness to collaborate and share their knowledge with others. Pride in performing well and providing expertise are common driving forces within the organisation.

31 YEARS

THE AGE OF OUR YOUNGEST MANAGER.

THE AVERAGE AGE HAS CHANGED APPRECIABLY OVER THE LAST TEN YEARS. FROM BEING AN ORGANISATION WITH MANY OLDER CO-WORKERS, THE AGE PROFILE IS NOW SIGNIFICANTLY MORE BALANCED.

REPORT OF THE BOARD OF DIRECTORS 2013

Svenska kraftnät's main mission is to

» PROVIDE SAFE, EFFICIENT AND ENVIRONMENTALLY FRIENDLY ELECTRIC POWER TRANSMISSION ON THE NATIONAL GRID «

» EXERCISE THE ROLE OF SYSTEM OPERATOR FOR ELECTRICITY AND NATURAL GAS IN A COST EFFECTIVE WAY «

» PROMOTE AN OPEN SWEDISH, NORDIC AND EUROPEAN MARKET FOR ELECTRICITY AND NATURAL GAS «

» WORK FOR A ROBUST POWER SUPPLY «

HOW SVENSKA KRAFTNÄT IS LED

PARENT ENTITY SVENSKA KRAFTNÄT'S MISSION AND GOVERNANCE

Svenska kraftnät's mission is given in Regulation 2007 (2007:1119) with instructions for the parent entity Svenska kraftnät and in the annual appropriation from the Government. The utility's main mission is to

- Provide safe, efficient and environmentally friendly electric power transmission on the national grid,
- Exercise the role of system operator for electricity and natural gas in a cost effective way [2],
- Promote an open Swedish, Nordic and European market for electricity and natural gas,
- Work for a robust power supply.

Svenska kraftnät's vision as well as long and short-term goals is based on the mission that the Government has given the utility. A situational analysis and a review of the long-term targets can be found in the annual business plan. Goals for the coming financial year are subsequently worked on and set down in a business plan and associated risk analysis. The risk analysis describes the material risks that could hinder Svenska kraftnät in achieving set targets as well as measures to manage the risks.

Svenska kraftnät also establishes a three-year investment and financing plan each year which is subject to parliament for approval.

In 2013 Svenska kraftnät's Board agreed upon the Perspective Plan 2025, to meet the need for more long-term planning. The plan clarifies Svenska kraftnät priorities and intentions for the development of the grid for about 15 years.

The Government appoints the Board and director of the authority (Director General). Svenska kraftnät is organised into nine departments. In addition, there are five councils for interacting with various external stakeholders. The Group consists of the parent company, a subsidiary and six associated companies in Sweden, Norway and Finland. The main associated company now is Nord Pool Spot AS, headquartered in Oslo [3].

INTERNAL GOVERNANCE AND CONTROL

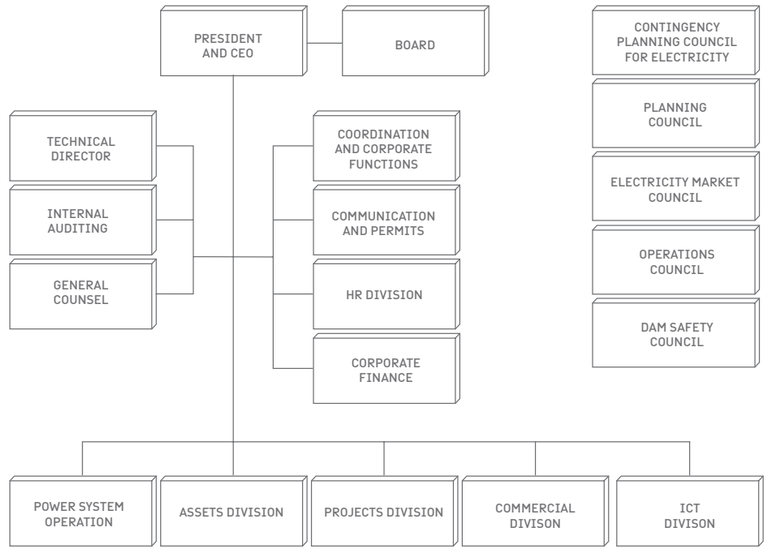
Internal governance and control refers to the process used to ensure that Svenska kraftnät, with reasonable certainty, meets the operational requirements that the Government imposes on the authority's leadership. The process is based on four phases in addition to the control environment.

- **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

[2] System operator for Swedish natural gas supply was handed over to Swedegas AB on 1 June.
[3] See Section Subsidiaries and associated companies for more detailed information.

ORGANISATION CHART



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** to ensure that the governance functions effectively requires awareness among employees of policies and guidelines, including authority and responsibility. Important tools for this are Svenska kraftnät's intranet, continuous employee training and workplace meetings and emails. The Board receives information on developments regarding the way of working to ensure internal governance and control from the Director General and Audit Committee. External communications consist of such things as reporting to other authorities and external financial reporting. There is also an approved policy of communication and a press policy. The website is an important part of the utility's communication. Annual reports, interim reports and other documents that are of interest to the public are published here.

- **Follow up** involves both monitoring of the internal control system in order to identify any shortcomings and monitoring of operations and set goals. Follow-up of the business plan is performed quarterly with an

annual summary in February after the end of the fiscal year. In other areas it is monitored annually, according to each project and assignment plan or by agreement for individual tasks. The internal auditor reports their findings regularly to the Director General and to the Board and its Audit Committee. The external auditors also conduct special audits of operational areas.

Svenska kraftnät's Board has appointed an Audit Committee. It is headed by the Deputy Chairman of the Board and prepares the annual internal audit plan and matters of risk assessment, internal control and financial reporting.

ACTIVITIES DURING 2013

In 2013, the utility has worked with the internal governance and control in the above phases. The goal structure has been developed in order to improve the conditions for effective governance. An action plan against irregularities has been prepared. Activities have also taken place to improve the utility's work in the areas where the National Audit Office and internal auditor made observations during their audits. In essence, these observations touched on the financial statements, national grid settlement, fixed assets, payroll and payment procedures.

RISK MANAGEMENT

Group risk management, in accordance with the requirements in the Ordinance on Internal Management and Control, is integrated in the various stages of the business plan. Identification of significant risks at utility level is compiled in a risk report together with a plan of action. These risks are dealt with by the departments concerned. Risk management is monitored and reported to the Board.

During 2013, the utility has worked on a regular basis with preventive measures to reduce or eliminate risks.

The significant risks are described in "Risk analysis under regulations on internal governance and control" as determined annually by the Board.

In addition to the operational risks, the high level of investment activity means that the agency faces a number of financial risks. Through an effective long-term management of these risks it is ensured that Svenska kraftnät attains the economic objectives set out by the Government.

OPERATIONAL RISKS

The significant operational risks that were managed in 2013 related to (among other things) delays in construction projects, the connection of renewable electricity generation, frequency planning on the national grid and the risk of sabotage of installations and breakdowns.

There are several risks associated with the possibilities of keeping the utility's various construction projects on schedule. This concerns the ability to obtain necessary permits in good time, managing interruptions, and prioritizing development projects correctly. Measures taken to limit these risks are, among other things focused on standardizing work methods and a new method for prioritizing projects.

Svenska kraftnät currently operates a large number of development projects for overhead lines and stations. It takes a lot of resources and specialized skills, both internally in the utility and externally among contractors, designers and consultants engaged for the construction of stations and lines. To make up the resource and skills shortages Svenska kraftnät is hiring both contractors many new employees.

Work is ongoing to improve project control, project management, monitoring and control.

Svenska kraftnät's operations are of central importance to the Swedish electricity supply. It is therefore considered to be particularly important to society both in the short and long-term. Operations may be subject to interference and pressures of many kinds. Interference may be caused by technical failure or deliberate acts aimed at causing damage. This analysis is reported to the Government Offices of Sweden and the Swedish Civil Contingencies Agency (MSB).

The risk of this kind of outage on the grid causing serious implications for society and implications for end users is relatively small. The grid is robustly constructed with excellent opportunities to maintain the electricity supply even in disturbed operating conditions. The risk of a major power failure cannot be completely eliminated. Svenska kraftnät is taking a range of measures, including a major investment programme to further increase the reliability of the grid.

The risk and the likelihood of sabotage against Svenska kraftnät plants are currently small. The threat situation may change rapidly. When rebuilding or constructing Svenska kraftnät station facilities, physical protection has been increased significantly by better perimeter security. CCTV has been installed for surveillance of facilities and key parts fitted with alarms.

An extensive expansion of renewable electricity, especially wind power is underway. This affects the system balance, as production from wind power cannot be controlled and is difficult to forecast. Moreover, uncertainty about production volumes and localization of wind power causes a difficulty in Svenska kraftnät's long-term planning. To limit the risks, the utility has, among other things, developed close working relationships with participants and provided guidance on issues regarding the connection of wind power to the grid, and participated in a Nordic analysis group focusing on frequency and balance issues. In addition, there are ongoing efforts to improve project control, project management, monitoring and control.

FINANCIAL RISKS

Svenska kraftnät's central role in the electricity market and the high rate of investment causes significant economic flows. Thus the utility is exposed to a variety of financial risks, including credit risk, currency risk, interest rate risk and liquidity risk. The management of these is regulated in the utility's financial policy. The approach is that risks should be managed with a long-term perspective in order to create stable conditions for the economy of the utility.

As a result of the transmission losses that occur on the grid Svenska kraftnät is one of Sweden's biggest electricity consumers. The risks that Svenska kraftnät is exposed to through the procurement of network losses are handled according to the utility's guidelines for procurement of network losses.

OTHER RISKS

Svenska kraftnät's ability to monitor and control the grid is based on well-functioning IT and telecommunications systems. The IT and telecommunications systems are built with a high degree of redundancy to secure operation. Another important aspect of reliability is to analyze and correct weaknesses in IT security. This occurs both in terms of technology, regulations and routines as well as through working with behaviour and accountability.

Svenska kraftnät has an environmental management system certified according to the ISO 14001 standard to ensure and organise environmental activities throughout the organisation. It is important to limit the environmental impact of operations. This reduces the risk that environmental assessments delay investment projects. In addition, the utility performs environmental audits and environmental requirements are set out in the procurement of construction and maintenance contracts. The utility works with training and communication internally to continually raise awareness of the environmental requirements that the utility must follow.

SECURITY WORK

The goal of security work at Svenska kraftnät is that it should be integrated into the organisation's core operations. This creates better conditions for operational control of the security work and the management of current risks.

During the financial year, work on the review of the utility's internal safety regulations has continued and guidelines and instructions for certain priority areas have been developed. A measurement of information security within the parent entity's various business segments has been carried out to examine whether the existing security of the organisation is appropriate to the risks Svenska kraftnät is exposed to. The security level was judged to be good. In accordance with the requirements of the säkerhetsskyddsförordning (Swedish Security Ordinance), a security assessment has been made by Svenska kraftnät.

In line with the Swedish Armed Forces' regulations on signal security, a review of signal security instructions for all signal security systems at Svenska kraftnät has been implemented. Annual audits have been performed on two systems.

As the sector responsible authority in the field of security the utility has dealt with approximately 12,000 security matters. These cases involve personal investigations and records checks on persons involved in critical activities in the electricity supply.

SUBSIDIARIES AND ASSOCIATED COMPANIES

The Svenska kraftnät Group has one subsidiary as well as six associated companies in Sweden, Norway and Finland.

SUBSIDIARIES

TURNOVER

SwePol Link AB
During the year SwePol Link AB and its Polish subsidiary were liquidated, the Polish subsidiary in September and the parent company in December. The Svenska kraftnät consolidated income statement includes the income of SwePol Link companies up to the liquidation date.

There was no turnover for the year.

Svenska Kraftnät Gasturbiner AB
The company is wholly owned by Svenska kraftnät and is responsible for operating and maintaining the gas turbine plants it owns. The facilities are needed to handle disturbances in the power system.

The Company owns eleven gas turbines in Varberg, Norrköping, Trollhattan, Norrtälje and Göteborg, with a combined capacity of 700 MW.

Turnover amounted to SEK 83 (81) million.

ASSOCIATED COMPANIES

TURNOVER

Nord Pool Spot AS
The Company operates a marketplace for the physical trade of electricity in the Nordic countries and the Baltic states, the so-called electricity spot market. Svenska kraftnät and Statnett each own 28.2 percent of the company. Energinet.dk and Fingrid each own 18.8 percent while Augstsprieguma Tikls, Elering and Litgrid each own 2 percent.

Gross turnover amounted to NOK 113 000 (90 000) million and net turnover of NOK 232 (195) million. The physical electricity trading on Nord Pool Spot amounted to 493 (432) 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 32 (25) million.

ASSOCIATED COMPANIES

TURNOVER

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%, Vatenfall 25% and Vattenfall Eldistribution 25%.

Turnover amounted to SEK 49 (44) million.

STRI AB
The company conducts research and development in the field of electric power transmission and high voltage testing on behalf of the shareholders and other stakeholders. The shareholders are Svenska kraftnät 25%, ABB 50%, Statnett 12.5% and Det Norske Veritas 12.5%.

Turnover amounted to SEK 87 (84) million.

Elforsk AB
Elforsk conducts joint operations in the field of research and development on behalf of the electrical power sector in Sweden. Svenska kraftnät is mainly involved within the areas transmission of electricity and development of the electricity market. Svenska kraftnät owns 25 % of the company and the remaining 75 % is owned by the industry association Svensk Energi.

Turnover amounted to SEK 165 (138) million.

eSett Oy
The company was formed in December 2013 in order to handle a common Nordic balance settlement from 2015. Shareholders are Svenska kraftnät, Fingrid and Statnett with 33.3 percent each. The business is under construction.

The Company had no turnover during 2013.

Results
The associated company that is part of the Group and has the greatest impact on the Group's earnings is Nord Pool Spot AS. Svenska kraftnät's share of income in the respective companies is included in the consolidated profit. The profit components amounted to SEK 19 (23) million of which SEK 5 (9) million relates to results from a new issue of Nord Pool Spot AS.

SHARE IN PROFITS FROM ASSOCIATED COMPANIES (MSEK)	2013	2012
Nord Pool Spot AS	16	21
STRI AB	2	1
Kraftdragarna AB	1	1
Others	0	0
TOTAL	19	23

FINANCIAL POSITION

According to the letter of governance parent entity Svenska kraftnät must achieve a return on adjusted equity, following deduction for tax, of 6% excluding profit components from sales in associated companies as well as any surplus or deficit from operations relating to electricity certificates and guarantees of origin. Capacity Charges (congestion revenues) obtained when there are price differences between the bidding areas must be handled pursuant to the European Parliament and Council Regulation No 714/2009, resulting in a provision for unused capacity charges.

The return on adjusted equity for 2013 was 8.6 (9.5) percent, which means that the goal was achieved. In the parent entity, the return was 8.9 (10.0) percent.

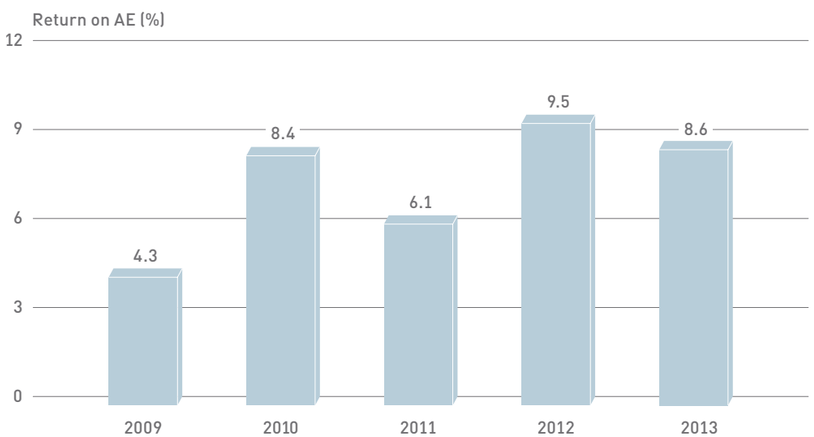
The debt/equity ratio was 54.8 (30.4) percent which is in line with the letter of governance's ceiling of a maximum of 110%.

The Government's dividend policy stipulates that 65 percent of earnings for the Group are to be distributed to the State.

TURNOVER AND NET INCOME

Consolidated operating revenues increased by 3 percent to SEK 10,111 (9,789) million. The increase was primarily due to increased revenue from balance and frequency regulation, which amounted to SEK 4,977 (4,299) million, where the increase is attributable to higher sales of balance power. During the year, both the volume and average price of purchased and sold balance power increased compared with the previous year. Sales of balance power reflect the level of electricity prices in the current period. Thus, large gross deviations can occur between years. However, revenue for the transmission of electricity on the grid decreased to SEK 4,387 (4,749) million due to lower energy revenues over the previous year, due to reduced energy consumption charges for 2013.

Operating costs amounted to SEK 9,280 (8,810) million. The increase was primarily due to increased costs for balance power of SEK 4,306 (3,912) million and the high cost of primary regulation SEK 777 (424) million. The high cost of balance power is explained as well as the revenue side by increased sales. However, the costs for losses decreased from SEK 1514 million in 2012 to SEK 1200 million in 2013 primarily due to lower loss volumes and a lower price compared with last year.



The Group has lower income and costs from the previous year with the sale of SwePol Link in 2012. Given SwePol Link has been incorporated into the Group, capacity charges are obtained nowadays instead from the transmissions on the foreign connection.

Svenska kraftnät remains in a recruitment phase and 31 (52) new full-time jobs were added during 2013. Personnel costs rose as a result by SEK 50 million.

Amortization of intangible and tangible fixed assets decreased by SEK 48 million to SEK 668 (716) million. This, despite higher depreciation due to the high rate of investment, is because of the sale of 50 percent of the foreign connection SwePol Link in August 2012. Group profit was affected last year by SEK 95 million for depreciation of fixed assets of which SEK 83 million was attributable to the overseas connection SwePol Link.

Svenska kraftnät's Board decided not to build the western branch to Norway in the Sydvästlänken project. Since the investments had already been made for the project this decision entailed a negative effect on results of SEK 55 million.

Profit from associated companies amounted to SEK 19 (23) million, which is 4 million lower than last year. The result included as in previous years SEK 5 (9) million attributable to the equity offering in Nord Pool Spot because of the new part-owner.

Group operating income amounted to SEK 850 (1,002) million, which is SEK 152 million lower than 2012. Group operating margin was 8.4 percent, which is 1.8 percentage points lower than last year.

Net interest income amounted to SEK 4 (-64) million, which is 68 million more than last year. This is partly due to loan redemption in connection with the sale of 50 percent of the overseas connection SwePol Link in August 2012. In the interest expenses last year a provision of SEK 53 million was included for the indexation of the parent entity's pension under the safeguarding bases the Government Employee Pensions Board adopted. This year's indexing was SEK 1 million.

Group net income amounted to SEK 850 (950) million. Net profit margin with a standard tax deduction was 6.6 percent, down 0.5 percentage points compared with 2012.

The Group's return on adjusted equity was 8.6 (9.5) percent, which is 2.6 percentage points above the return on equity target of 6 percent.

FINANCING

The Group finances its operations with equity and loans from the National Debt Office. At the end of 2013, borrowings at the National Debt Office were SEK 3,775 (1,854) million. Group cash and cash equivalents amounted to SEK 160 (210) million. In 2013, Svenska kraftnät had the right to take out loans from and outside the National Debt Office at a total of SEK 8,000 million.

Svenska krafnät has two further sources of finance:

The first are capacity charges that are awarded from Nord Pool Spot based on the price differences arising between bidding areas. Capacity charges, according to European Parliament and Council Regulation No 714/2009 are used in conjunction with counter trading and financing of investments that are intended to enhance or maintain the transmission capacity of electricity on the national grid. Achieved capacity charges decreased compared with the previous year and amounted to SEK 700 (1,756) million. The price of electricity and the price differences arising between bidding areas is dependent on a variety of factors such as temperature, water availability in the reservoirs, availability of nuclear power and the transmission capacity between bidding areas and on foreign connections.

SEK 22 (26) million of the year's resulting capacity charges has been used to cover the cost of counter-trading and SEK 322 (1,539) million used as investment grants for investments made. The remaining SEK 356 (189) million has been reclassified as long-term liabilities in the balance sheet to be used for investment grants next year, when there were not enough investments that met the criteria for the award from external capacity charges. SEK 199 (-) million of the previous years' retained capacity charges has been used as investment grants for this year's realized investments. When capacity charges are used in support of investments made, activation is made with the same amortization time as the facilities the grants are linked to. Thus, they help to reduce the annual cost of the facilities.

In 2013, a total of SEK 521 (1,539) million has been used for co-financing of investments made.

The second source of financing is investment grants. One type of investment grant is the fee that Svenska kraftnät charges to connect network customers to the grid. The connection fee will fund the measures that, for capacity or operational security reasons, must be taken to connect a particular facility. Investment grants may additionally be provided by landowners who through new network construction receive released land. Project Stockholm Power is one such example. Another type of investment grant is from the EU which co-funds NordBalt, a DC link being built between Sweden and Lithuania. Investment grants received in 2013 amounted to SEK 74 (152) million.

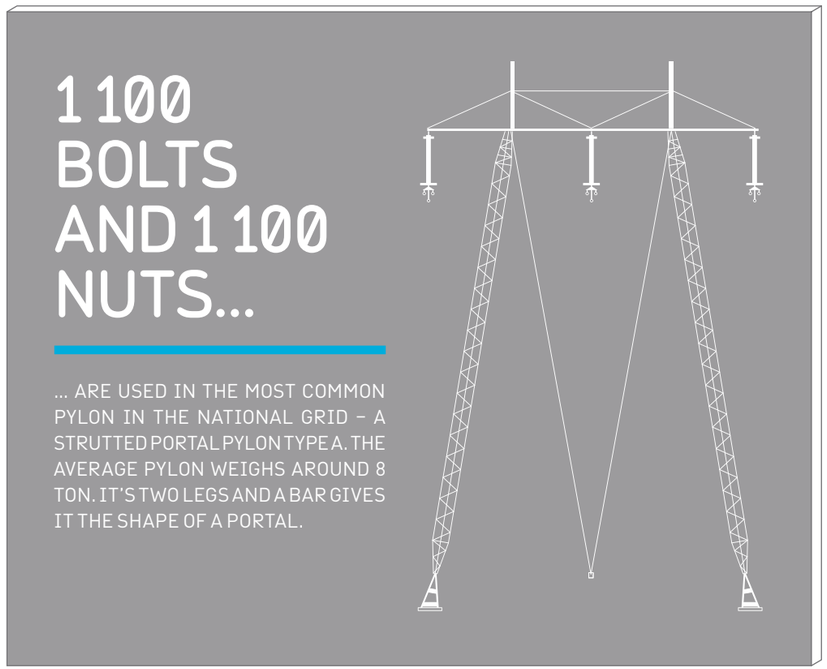
The subsidiary Svenska Kraftnät Gasturbiner AB is funded via a loan from the parent company. Borrowing at the end of year amounted to SEK 77 (99) million.

COST EFFECTIVENESS

Svenska kraftnät's cost effectiveness must be at least as high as in comparable companies. In order to assess effectiveness and identify areas for improvement, comparisons are made with other companies through benchmarking studies.

The EU supervisory authority's partner organisation CEER conducted a benchmarking study of 21 national grid enterprises in 16 European countries during 2012–2013 in order to compare cost-effectiveness. The benchmarking study covered national grid enterprises' facility assets and the costs of operating and maintaining the network. The results showed that Svenska kraftnät is one of the most effective transmission system operators in Europe. The study noted, however, that Svenska kraftnät is facing massive reinvestment in the grid and it will be challenging to maintain high efficiency and good cost control.

Statnett, Fingrid, Energinet.dk and Svenska kraftnät have an established exchange of experience in project operations in order to learn and benefit from each other's experiences in project implementation such as applicable areas of health, environmental/health and safety, evaluation of contracts and information management.



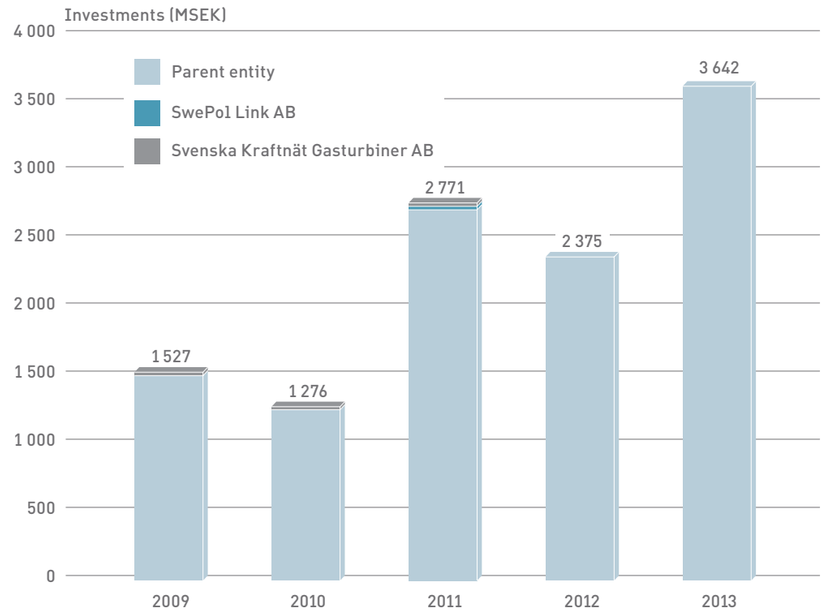
INVESTMENTS

The expansion of the grid follows society's development where energy and climate policy drive the overall increased network investments. This requires market integration, extension to allow connection of new generation and reinvestment to ensure a robust power supply.

Group investments amounted to SEK 3,642 (2,375) million. The initial investment was SEK 3,165 (2,020) million and reinvestments SEK 477 (355) million.

Investments are broken down as follows in the Group.

INVESTMENTS (MSEK)	2013	2012
PARENT ENTITY		
Grid investments	3 577	2 814
Fibre optic cable investments	3	25
Intangible investments	60	40
TOTAL PARENT ENTITY	**3 640**	**2 879**
of which internal Group transactions	–	-507
SwePol Link AB	0	0
Svenska Kraftnät Gasturbiner AB	2	3
TOTAL	**3 642**	**2 375**



The Group's investments totalled SEK 3,642 (2,375) million. Of these, SEK 3,582 (2,335) million investment was in tangible assets. The business segment Transmission of Electricity on the Grid represents the majority of investments with SEK 3,624 (2,341) million.

Prior to 2013, the Swedish Parliament approved an investment plan of SEK 5,000 million. Investments in the grid, however, were lower than anticipated, which is the main reason for delays in projects. Delays are partly due to technical problems, delayed starts and extended project completion as a result of such things as damage regulation issues and delays in technical documentation. In addition, the deviation is explained by terminated projects, revised project costs and delays due to extensive permitting processes. A detailed statement of deviations occurs in Svenska kraftnät's Investment and Finance Plan for the years 2015-2017 which is submitted to the Government by 1 March 2014.

In 2013, Svenska kraftnät has decided on a long term development plan for the grid, Perspective Plan 2025. The plan clarifies Svenska kraftnät priorities and intentions for the development of the grid for about 15 years.

The three main driving forces are bottlenecks and market integration, connection of new power generation and reinvestment.

BOTTLENECKS AND MARKET INTEGRATION

The goal of the driving force is to provide an efficient electricity market with effective competition. Therefore, it is important that bottlenecks in the Nordic electricity network and between Scandinavia and the continent are removed by construction.

The planned AC and DC connection SydVästlänken is Svenska kraftnät's largest investment ever. After mutual agreement with Statnett during the year the western branch will not be built, as the branch could no longer be justified from a marketing perspective. The investment of the remaining parts is estimated at SEK 8,000 million and the link will enhance the reliability and increase the transmission capacity of the grid to southern Sweden. Link capacity will be 1,400 MW. During the year two of the connection's new grid stations were put into operation, Hurva on 12 September and Barkeryd 30 September.

NordBalt is a foreign connection built between Sweden and Lithuania and the investment is estimated at SEK 3,000 million. 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 joint project between Svenska kraftnät and the Baltic grid companies Litgrid and Augstprieguma Tikls and is a priority of the European Commission. Within the framework of the European Energy Programme for Recovery (EEPR) the Commission has set aside EUR 175 million for the project. The link's capacity will be 700 MW.

To cope with the increased transmission from the new overseas connection Fenno-Skan 2 and the connection of new wind energy, a line between Stackbo and Hamra has been reconstructed. A new 400 kV line was constructed in the existing line corridor and the old line demolished. During the year, the final stage was completed, resulting in a total of 99 km of new line.

During the year, investments in order to increase market integration and to prevent bottlenecks in the electricity grid amounted to SEK 2,492 (1,416) million.

CONNECTING NEW POWER GENERATION

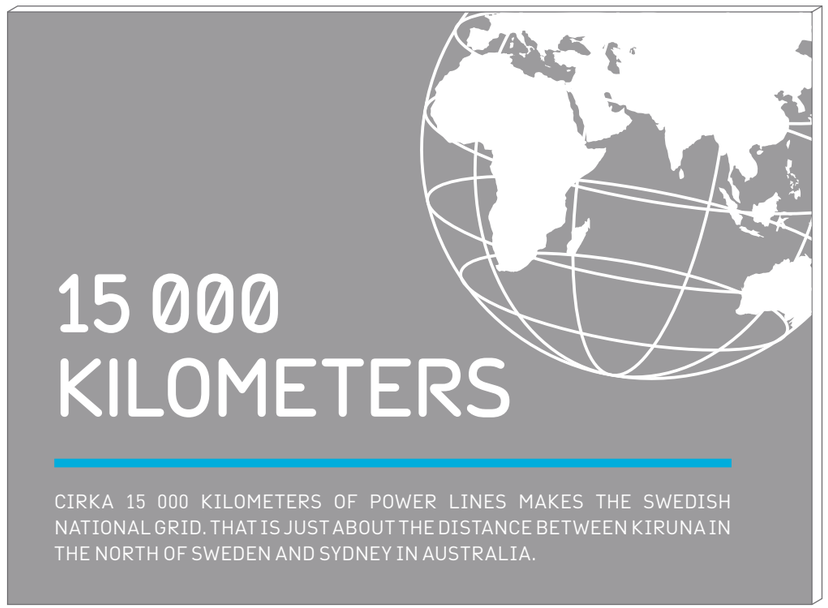
Svenska kraftnät is responsible for connecting new electricity production which mainly affects power increases in nuclear power plants and new wind farms.

In Norrbotten a large wind farm is planned. When the park is completed, the total effect is estimated at 3,000-4,000 MW which requires several new connections on the grid. On 13 June, the first new 400 kV station, Råbäcken, was running.

In Jämtland a wind farm is planned, which will consist of 40 wind turbines with a total installed capacity of approximately 100 MW. On 22 August the new 220 kV station Bräcke became operational. A comprehensive wind power development is planned on Gotland. In 2013, Svenska kraftnät signed a connection agreement for a connection from Gotland to the Swedish grid, because the two existing regional connections are not sufficient for the planned expansion of wind power.

Since the 1980s, nuclear power plants have gradually increased production of electricity. Extensive reinforcements are required in connected networks to nuclear power plants to increase their production further.

Investments concerned with the connection of new production during the year amounted to SEK 159 (125) million.



REINVESTMENTS

The Swedish national grid has in many places soon reached its technical lifespan and the need for reinvestment will increase in the coming years. Extensive internal work has been started in order to plan the necessary reinvestments. During the year, an inventory of grid facilities has been conducted which will form the basis for a more detailed programme of reinvestment in both lines and stations. A plan for the renovation of top lines on power lines has also been developed.

With a growing population, there is also a growing demand for electricity. The expansion of Stockholm has made it necessary to revise the network structure that provides the city with electricity. The restructuring of Stockholm's electricity grid is a collaborative project with other network owners in the Stockholm region. During the year, investments were made in new stations, lines and cables.

The expansion project of Stockholms Ström includes investments of SEK 5,630 million, of which SEK 4,600 million is Svenska kraftnät's share. Svenska kraftnät, Vattenfall Eldistribution and Fortum Distribution, along with eight municipalities in Stockholm County are funding the fifty projects involving 20 municipalities. The purpose is to provide improved network architecture, reducing energy losses and increasing reliability.

A new station in Kalix is being built which when connected to the regional network will increase reliability. A number of stations are even to be rebuilt to modern double breaker stations, increasing reliability.

Svenska kraftnät's system for control and monitoring of the grid became operational in 2001 and is nearing the end of its life. The system consists of three parts – operational electricity network, operational computer network and service monitoring. There is an ongoing project that aims to introduce a new operational monitoring system to meet the high demands placed on control room operations and the very high IT security requirements of today. The renewal of the operating electricity network will result in all remote terminals having built-in support for IP-based communications. All the old remote control devices can therefore be scrapped.

Reinvestment during the year amounted to SEK 991 (834) million.

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. Until 31 May 2013, Svenska kraftnät had system responsibility for gas. After a Government decision the system responsibility was passed to Swedegas AB on 1 June.

This chapter reports on operations carried out in these business segments.

Some activities are common to several business segments such as primary control and disturbance reserve. How costs and revenue are distributed is described in their respective sections.

GROUP (MSEK)	OPERATING REVENUE		OPERATING INCOME		INVESTMENTS	
	2013	2012	**2013**	2012	**2013**	2012
Transmission of Electricity on the Grid	**4 724**	5 037	**997**	1 066	**3 624**	2 341
System Operator – Electricity	**5 066**	4 434	**-192**	-96	**1**	2
Telecommunications - external	**75**	56	**27**	4	**–**	–
Telecommunications - internal	**51**	55	**3**	2	**16**	32
System Operator – Gas [4]	**31**	50	**1**	1	**–**	–
Chargeable Activities	**13**	11	**-5**	2	**1**	0
Associated companies	**–**	–	**19**	23	**–**	–
Electricity Contingency Operations	**202**	201	**0**	0	**–**	–
Segment eliminations	**-51**	-55	**–**	–	**–**	–
TOTAL	**10 111**	9 789	**850**	1 002	**3 642**	2 375

PARENT ENTITY (MSEK)	OPERATING REVENUE		OPERATING INCOME		INVESTMENTS	
	2013	2012	**2013**	2012	**2013**	2012
Transmission of Electricity on the Grid	**4 731**	4 814	**966**	1 038	**3 623**	2 847
System Operator – Electricity	**5 066**	4 445	**-180**	-62	**–**	–
Telecommunications - external	**75**	56	**27**	5	**–**	–
Telecommunications - internal	**51**	55	**3**	2	**16**	32
System Operator – Gas [5]	**31**	50	**1**	1	**–**	–
Chargeable Activities	**13**	11	**-5**	2	**1**	0
Electricity Contingency Operations	**202**	201	**0**	0	**–**	–
Segment eliminations	**-51**	-55	**–**	–	**–**	–
TOTAL	**10 118**	9 577	**812**	986	**3 640**	2 879

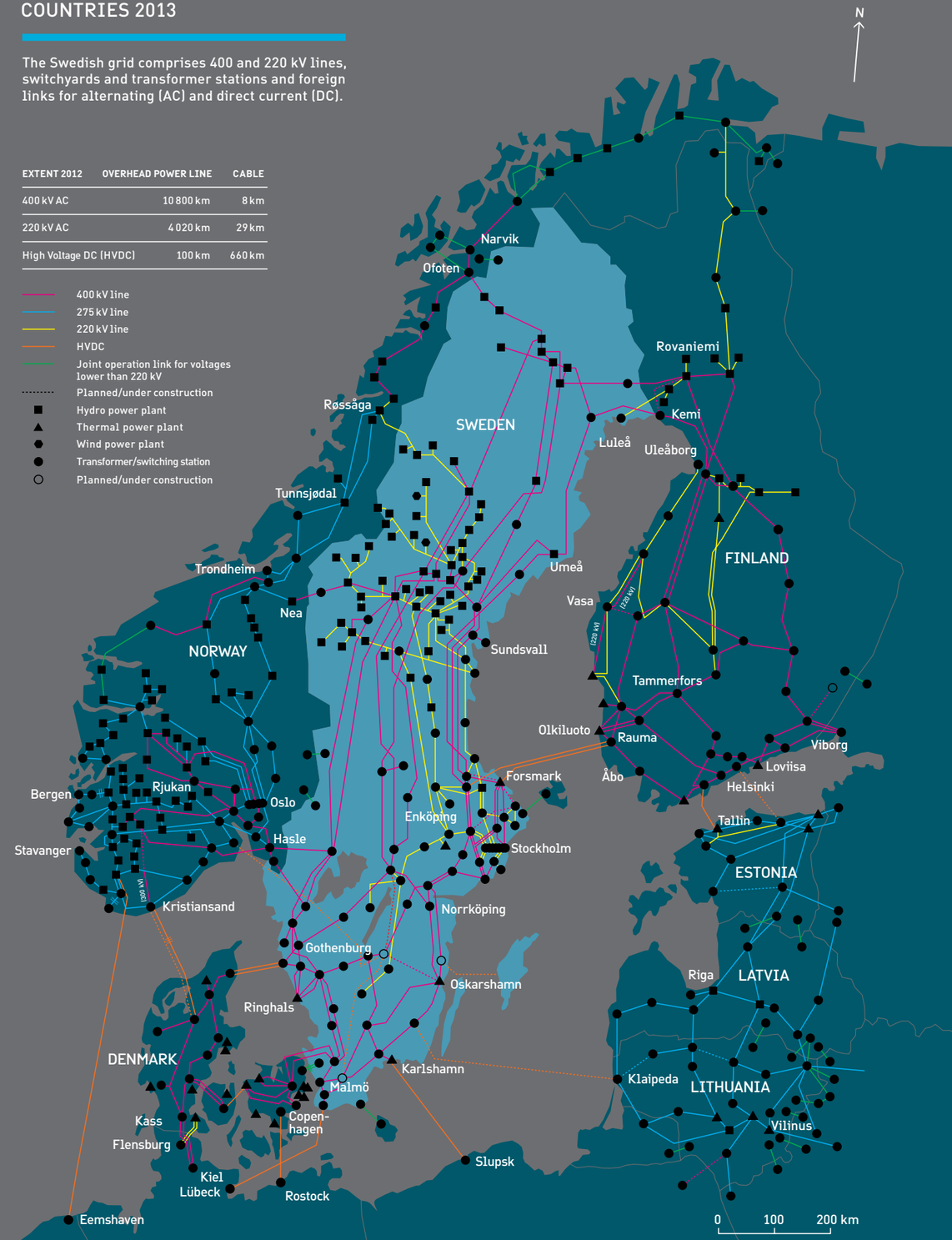
[4] Refers to the period January - May 2013.

[5] Refers to the period January - May 2013.

THE POWER TRANSMISSION NETWORK IN THE NORDIC COUNTRIES 2013

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



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. The Group signs a contract of use with customers for access and use of the grid. The grid tariff is a point tariff. This means that a subscriber gets access to the electricity market, regardless of where the entry is made in the country, to the agreed amount.

The grid tariff is made up of two charges:

- The capacity charge covers operations, maintenance, depreciation and capital costs of the network. The fee is based on the customer's annual capacity subscription for injection or withdrawal at each connection point. Input fees are lowest in the south and increase linearly with latitude to their highest value in the north. For withdrawal fees the opposite applies. The geographical differentiation is intended to provide long-term price signals on the location of production and consumption.
- 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.

TRANSMISSION OF ELECTRICITY ON THE GRID GROUP (MSEK)	2013	2012
GRID TARIFFS		
Capacity charges	**2 350**	2 235
Usage fees	**1 870**	2 145
TOTAL	**4 220**	4 380
Transit revenue	**167**	159
Transmission - SwePol Link	**–**	210
GRAND TOTAL	**4 387**	4 749

Grid tariffs amounted to SEK 4 220 (4,380) million. Of this 56 (51) percent was capacity charges 44 (49) percent usage fees. In 2013 capacity charges were increased by 6.3 percent. For the same period usage fees were decreased by 9.0 percent in bidding areas 1 and 2, by 9.8 percent in bidding area 3 and 7.8 percent in bidding area 4. The increase in capacity charges was largely due to the rising costs of personnel and depreciation following Svenska kraftnät's increasing rate of investment. Usage fees were lowered because the hedged purchase price per MWh, to compensate for network losses, was lower than the previous year.

Revenues from transit during the year were slightly higher than the previous year and amounted to SEK 167 (159) million.

POWER SUBSCRIPTIONS FOR THE NATIONAL GRID	2013	2012
Input, MW	**21 461**	20 624
Extract MW	**19 342**	19 699
No. of customers	**29**	27

Input subscriptions increased while extract subscriptions decreased compared with 2012. The number of customers connected to the grid increased slightly to 29 (27). The increase in input subscriptions is due mainly to new connections.

TRANSMISSION OF ELECTRICITY ON THE NATIONAL GRID	2013	2012
Energy supplied to the national grid, TWh	**119,3**	123,5
Energy extracted from the national grid, TWh	**116,5**	120,0
Max power outtake, MWh/h (hour with highest amount of power extracted)	**20 003**	19 237

During the year, energy supplied amounted to 119.3 (123.5) TWh and extracted energy 116.5 (120.0) TWh. The reduced supply from the previous year was due to lower hydroelectric production combined with lower exports. The reduction in energy extracted is explained by a slightly lower electricity use as 2013 was a year with average temperatures above normal.

TRANSMISSION LOSSES ON THE NATIONAL GRID	2013	2012
Energy losses, TWh	**2,8**	3,5
Percentage extracted energy	**2,4**	2,9
Maximum power losses, MWh/h (hour with highest energy losses)	**884**	789

Energy losses on the grid amounted to 2.8 (3.5) TWh, which was significantly lower than last year, which was the year with the highest measured volume loss ever. The lower losses can be explained by the fact that 2013 was a year with less hydropower production in northern Sweden and in Norway compared with the previous year. This led to a decrease in the transmission of electricity from north to south, which normally means long distances between electricity production and consumption. As the volume of transmission losses is dependent on transmission distances this meant there were lower transmission losses in 2013 compared with last year.

TRANSMISSION OF ELECTRICITY ON THE GRID MSEK	2013	2012
Operating revenue	**4 724**	5 037
Operating expenses	**-3 727**	-3 971
OPERATING INCOME	**997**	1 066

Operating income for the business segment Transmission of Electricity on the Grid was SEK 997 (1,066) million.

Operating income decreased by SEK 313 million compared with last year. The decrease is primarily attributable to the reduced usage fee for 2013 and the reduced supply of electricity to the national grid from the hydro-electric production in northern Sweden as well as reduced consumption. In addition, the Group has SEK 210 million lower revenues compared with last year because of the sale of SwePol Link in 2012. Given SwePol Link has been incorporated into the Group capacity charges are now obtained instead from transmission on the overseas connection.

Revenues from the fixed power subscriptions have, as a result of an increased fee, risen by SEK 168 million. Meanwhile, revenues from temporary subscriptions increased to SEK 75 million in 2013 compared with SEK 110 million in 2012.

Revenues from transit, which the utility receives when the grid is used for the transit of power, have been slightly higher during the year than the previous year and amounted to SEK 167 (159) million. SEK 11 million of the year's income relates to 2012 which gives an actual result of SEK 157 million for the year. The cost of transit amounted to SEK 104 (55) million. The cost of transit includes a cost reduction of SEK 3 million for 2012 which gives an actual result of over SEK 107 million. Following a long delay in European cooperation on the settlement of transit (ENTSO-ITC [6]), net income is based to some extent on estimated revenues and expenses. During the year, net exports decreased, which in turn reduced the transit through Sweden and Sweden's transit through other countries. This means lower income and expenses for the parent entity. Net income for transit amounted to SEK 63 million, which is SEK 41 million less than last year.

Revenue from capacity charges and investment grants during the year amounted to SEK 136 (83) million. Of this sum, SEK 114 (57) million of this refers to the year's revenues through grants to grid investments, and SEK 22 (26) million refers to the year's counter trading costs. The large increase in the grants to network investments is due to a high influx of capacity charges in 2012, which was used for investment and thereby affected the income statement in 2013 in the form of settlement of activated investment grants.

Operating expenses decreased by SEK 244 million compared with 2012, primarily due to lower costs for electricity losses which decreased from SEK 1,514 million from 2012 to SEK 1,200 million in 2013. This is explained by the fact that the purchased loss volume decreased while the hedged purchase price per MWh was lower than the previous year. Usage fees together with lower loss costs generated a surplus for the year amounting to SEK 158 million, which is SEK 30 million higher than last year.

Income and costs for primary regulation have increased. Overall income has increased from SEK 100 million in 2012 to SEK 230 million in 2013 and costs from SEK 424 million in 2012 to SEK 777 million in 2013. Income and costs for primary regulation inherent in the business segment have risen where income amounted to SEK 66 (20) million and costs SEK 236 (106) million. In addition, the Group's costs fell by reason of the sale of SwePol Link in 2012.

During the year, staff costs increased by SEK 46 million due to the increased number of employees.

Operating margin for the business segment amounted to 21.1 percent, which is the same as last year.

Investments in the business segment amounted to SEK 3,624 (2,341) million.

Operational reliability has been good in 2013. The number of operational disturbances

[6] Inter transmission system Operator Compensation for Transits (ITC).

OPERATIONAL DISTURBANCES	2013	2012	2011	2010	2009
Operational disturbances on the grid, no.	**177**	202	192	224	153
Ditto with power failure, no.	**1**	3	9	10	16
Energy not supplied (ENS), MWh	**0,2**	7	42	5	5
Power not supplied (PNS) , MW	**10**	23	235	43	37

on the grid was 177 (202) incidents during the year, most of which were taken care of by automated technical systems without affecting electricity supplies. The disturbances on the grid that have not been addressed in this way resulted in only small volumes of energy not supplied (ENS). The total volume of ENS in the year is considered to be low.

The number of operational disturbances on the grid for the last five years is shown above. 1 (3) disturbances caused supply interruptions for electricity customers. The energy that is not delivered to electricity customers amounted to 0.2 (7) MWh. The target is not more than 10 MWh / year. Power not supplied (PNS) amounted to 10 (23) MW. The PNS goal is no more than 80 MW per year.

SYSTEM OPERATOR FOR ELECTRICITY

System Operator for Electricity involves overall responsibility that the Swedish electricity supply functions reliably. The operation consists of both the actions Svenska kraftnät takes to maintain the natural balance between production and consumption, and the balance settlement that regulates the balance providers' financial liability for the balance. The business segment includes Ediel communication and the Svenska kraftnät procured peak power reserve

It is the Government that approves the objectives that Svenska kraftnät sets for operational reliability. To meet these goals it is required that the voltage, frequency and power flows are maintained within established limits.

Frequency quality is measured regularly using frequency deviation number of minutes/ per year outside the nominal frequency of 50 Hz +/- 0.1 Hz. The goal is that the frequency will not exceed 6,000 minutes / year outside the range of 49.90 to 50.10 Hz. In 2013, the frequency was outside this range for 11,429 (11,574) minutes. Svenska kraftnät, together with the other Nordic grid companies initiated actions to improve the frequency quality, particularly through a new model for frequency regulation (automatic secondary regulation) [7].

BALANCE REGULATION

Svenska kraftnät system responsibilities include short term maintenance of a balance between production and consumption. Svenska kraftnät's costs and revenues for balance regulation are partly due to imbalance volumes and the price of electricity for the necessary adjustments. Gross income and costs for balance regulation can vary quite a lot from year to year.

Balance providers have the financial responsibility to ensure that the same amount of electricity is put in the national grid as is taken out. Such a commitment is made by agreement with Svenska kraftnät, called the balance provider agreement. The utility performs a balance settlement based on the measured values of the imbalances that arise. A balance providing company, that one hour reports a deficit, buys the electricity (power balance) from Svenska kraftnät that is needed to come into balance. In a similar way, a company that has a surplus sells electricity to Svenska kraftnät. This economic regulation involves two different balances, one for production – that controls that the balance provider has produced as much electricity as planned and one for consumption – which tracks the forecast for consumption and trade.

The pricing principles of imbalances are largely set at the Nordic level in an agreement between the Nordic system operators as part of the framework of the efforts to create a common Nordic retail market. Fees vary between countries. The basic fee for consumption was raised before 2013 to SEK 1.60 / MWh and for production to SEK 0.80 / MWh. At the same time, balance power fees increased to SEK 2.50 / MWh. The fixed monthly fee per balance provider was kept unchanged at SEK 1,850.

BALANCE POWER BETWEEN BIDDING AREAS

Balance power between bidding areas is defined by the difference between planned and

[7] Automatic Frequency Restoration Reserve (FRR-A),

ONE NIGHT IN THE CONTROL ROOM DURING STORM SVEN

The end of 2013 was a storm affected period and at the beginning of December storm Sven arrived over southern Sweden with great force. Trains, flights and shipping were cancelled, roads were flooded and trees fell. The storm was also felt in the Svenska kraftnät control room in Sundbyberg.

– We were prepared that it could be an eventful night, says Eva Werdin, duty engineer during storm Sven. Before the storm, we doubled our staffing levels in certain areas. There were two watchkeeping engineers, two balancing service engineers and we even called in extra contingency resources.

The warnings about storm Sven came only a few days before and staff in the control room made preparations including such things as joint meetings with the Swedish Civil Contingencies Agency (MSB).

When the storm then rolled in over Sweden the control room became a hive of activity. Telephones rang; clutch notes and operation orders for dealing with disturbances were written, along with market information to Nord Pool Spot. Reports and emails were sent between other TSOs and electricity grid companies.

It's a team effort, says Eva Werdin, where everyone's contributions are important.

She recalls that a contingency guard had to go out into the storm to a dark substation to locate a fault. They finally found a breaker that had opened up in one phase. A connection schedule was written and switching from the faulty breaker switch could be made. Even the balance service that must ensure there is a balance between production and consumption had much to do. There were large imbalances, especially when Danish wind turbines were stopped because of the strong winds.

After the storm Eva could see that the staff in the control room were tired but also very happy to have been able to maintain good personal and operational safety on the grid despite the storm. No subscribers were hit by Svenska kraftnät disturbances but about 60,000 of Fortum, EON and Vattenfall subscribers were without power at times during storm Sven.

physical flow between bidding areas and may involve a cost to Svenska kraftnät. Such balance power is priced according to the average prices in each area. Balance power from a high-price to low-price area means a loss for the TSOs involved in relation to purchased /sold balance power/regulated power in each area. Similarly, affected system operators make a profit when this type of balance power goes from a low-price area to a high-price one. The risk is shared between Svenska kraftnät and the foreign system operator when using overseas connections. After the introduction of several bidding areas, balance power has arisen even within Sweden. Svenska kraftnät has initiated a joint Nordic review of the economic impact of existing Nordic practice for balance power according to the above.

FREQUENCY REGULATION

Frequency regulation occurs either automatically or manually. The automatic primary control consists of two products, frequency controlled normal operational reserve (FCR-N)[8] and frequency controlled disturbance reserve (FCR-D)[9]. The manual secondary control returns the frequency to 50 Hz within 15 minutes, whereby the automatic reserves are restored. FCR-N is set to maintain the frequency within the range of 49.9 to 50.1 Hz in normal operational conditions. FCR-D is set to ensure that the frequency does not drop below 49.5 Hz during disturbed operations.

In January 2013 a trial started with the new automatic reserve for secondary regulation in normal operation (FRR-A) in the Nordic power system. The frequency has improved significantly during the periods volume was up to 400 MW. The tests will continue in 2014 to find a reasonable level of volume, costs and marketing function in the entire Nordic region.

The power situation during most of the year water reservoir levels were lower than the average for the past 20 years. The inflow was low in spring and summer. Thanks to mild weather and good access to nuclear and wind, reservoir levels recovered during late autumn and were at levels close to the average at the end of the year.

The grid has been operationally stable. The transmission capacity on overseas connections has at times been limited. The year began seeing Fenno-Skan 1 unavailable to the market almost continuously until the beginning of April, due to a previous fire in a valve hall and cable faults. In mid-July the Baltic Cable was hit by a cable fault that caused the connection to be unavailable until mid-September. In late August, there was also a fault at Konti-Skan. This led to reduced transmission capacity between Sweden and Jylland up to and including October. For much of the year, the transmission capacity of the so-called Haslesnittet, between Sweden and southern Norway, has been limited because of work on the network on the Norwegian side. In early November, the market could function again at full capacity.

At the end of the year, several storms hit Sweden. The storm that affected the national grid most was Sven that hit Sweden in early December. Several lines and transformers in southern Sweden were disconnected during the storm, as were the Baltic Cable and a nuclear power unit at Ringhals. Because of the strong wind large amounts of wind power in Denmark were stopped, which led to major imbalances, but thanks to mild temperatures, there were plenty of regulated bids.

PEAK POWER RESERVE

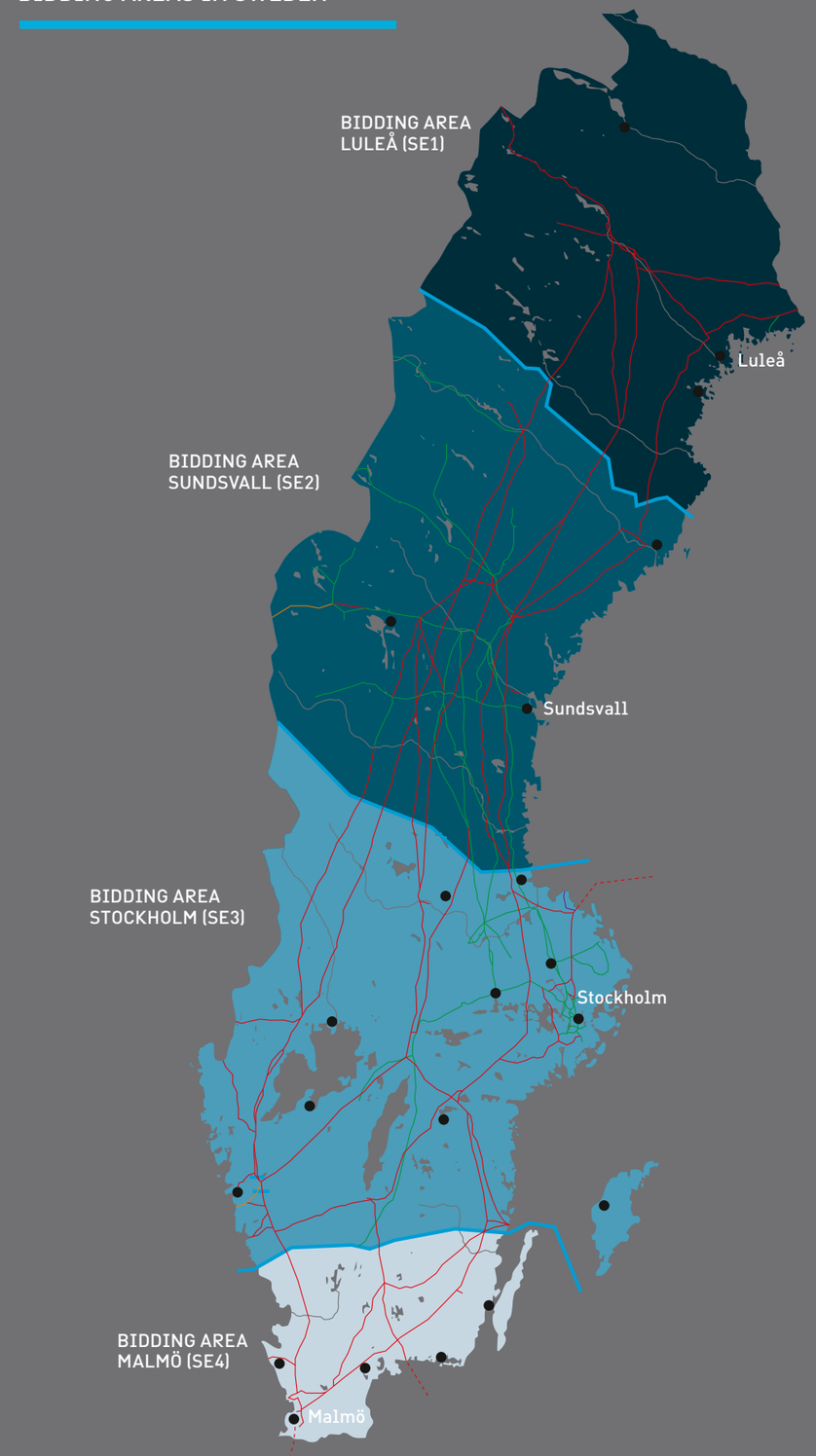
Svenska kraftnät has, according to the Act (2003:436) on the power reserve, responsibility for ensuring that a power reserve is available during the winter period. The Ordinance (2010:2004) on the power reserve indicates the quantity to be procured for each winter period. For the period from mid-November 2013 until mid-March 2014, a power reserve of up to 1,500 (2,000), MW is available.

The peak power reserve must help to maintain the electricity supply even in extreme situations that can arise in very cold weather. The peak power reserve is funded through a special fee for the balance providers and assured by Svenska kraftnät contracting electricity generators, suppliers and electricity users to make additional production capacity or potential reduction in demand at the disposal of the utility. In 2013, a total of 1,489 (1 719) MW was procured, of which 958 (1,255) MW was production and 531 (464) MW reduction in consumption.

On 25 January parts of the peak power reserve were activated. It was then very cold and forecasts pointed to a new record in Swedish consumption. The outcome, 26,700 MW, however, was not quite as high as expected and there were other alternatives available. The peak power reserve could therefore be stopped after

[8] Frequency Controlled Reserves – Normal (FCR-N).
[9] Frequency Controlled Reserves – Disturbance (FCR-D).

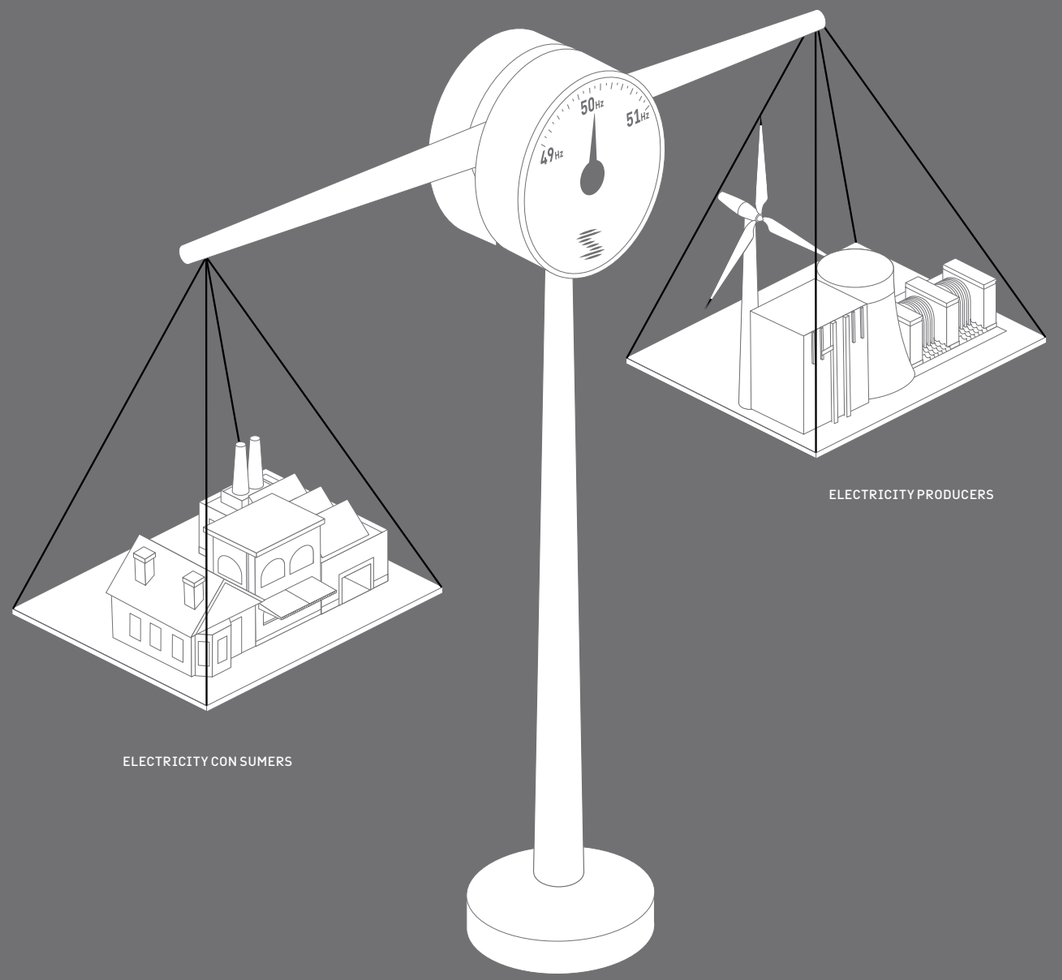
BIDDING AREAS IN SWEDEN



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.



only a few hours. When the power reserve is financed through fees it does not affect the utility's results.

SYSTEM OPERATOR FOR ELECTRICITY (MSEK)	2013	2012
Operating revenue	**5 066**	4 434
Operating costs	**-5 258**	-4 530
OPERATING INCOME	**-192**	-96

Operating income in the business segment System Operator for Electricity amounted to SEK -192 (-96) million. The decline in profit was mainly due to high costs for primary control in combination with a low excess from fees. The fees for balance providers were calculated and established before 2013 on a lower estimated cost for primary regulation which significantly affects operating profit.

Group operating revenues increased by SEK 632 million compared with 2012 and amounted to SEK 5,066 (4,434) million. Even operating costs increased though to SEK 5,258 (4,530) million, which together produced a deficit.

Gross income and costs from balance providers and system operators have increased. Both income and costs are controlled in gross terms by the electricity market price and volumes of balance power in each area. During the year, both the volume and average price of purchased and sold balance power increased. Net income increased by more than SEK 120 million over the previous year due to the increased fee for consumption and production, and the increased fee for balance power.

Revenues from the balance providers of the peak power reserve were SEK 138 (153) million. These revenues are reported in the winter months, from mid-November to mid-March. The cost of the peak power reserve in the same period was SEK 138 (156) million.

Income and costs for primary control have increased. Overall revenues have increased from SEK 100 million in 2012 to SEK 230 million in 2013 and costs from SEK 424 million in 2012 to SEK 777 million in 2013. The business segment's revenue for sold primary control increased to SEK 163 (80) million and costs for purchased primary control to SEK 541 (318) million. The high revenues and costs can be explained by higher prices compared with last year where the higher price was affected by such things as the water levels in reservoirs.
Net loss for balance power between bidding areas amounted to SEK 44 (104) million during the year, of which SEK18 (40) million was in Sweden. Thirty percent of the cost of disturbance reserve was paid by the System Operator for Electricity and increased during the year to SEK 41 (39) million.

Operating profit amounted to SEK -192 (-96) million. Operating margin was -3.8 (-2.2) percent.

Investments within System Operator for Electricity were SEK 1 (2) million.

TELECOMMUNICATIONS

To control and monitor the national grid for electricity Svenska kraftnät has a nationwide communications network for telecommunications and data. This network is an important prerequisite for maintaining a high level of reliability on the grid, which is especially important in the reconstruction phase after an operational malfunction. For this reason, the communication network is constructed with three separate communication channels in important cable trenches. To ensure optimal operation in the event of power outages there is also a back-up in the form of uninterruptible power supplies.

The availability of the telephone and communications network must be at least 99.95 percent based on redundant (dual) connections. The year's result was 100 (100) percent.

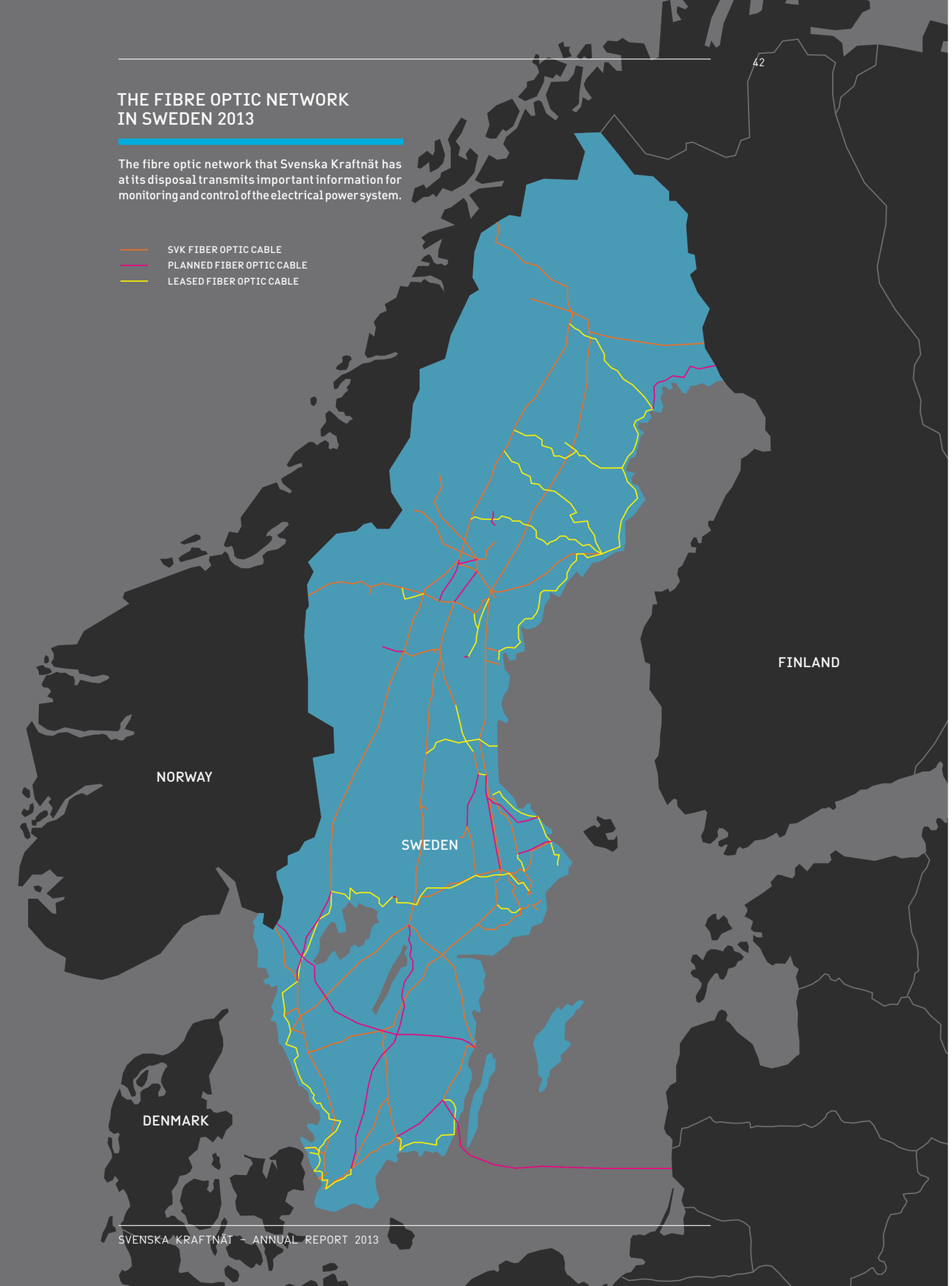
The communication network consists of optical fibre which is mainly installed in power lines. The network consists of about 7,500 km of own optical fibre and about 2,200 km of optical fibre leased from other network owners. During the year, the optical fibre network has been up-graded and expanded with 221 km of optical fibre.

The maintenance of the fibre optic network is performed by a contractor and is part of the Svenska kraftnät central maintenance contract. Internal operation, monitoring and contingency planning function are coordinated with other monitoring and contingency planning for IT functions. In this way, a cost-effective operation is maintained and operations are conducted at a very low cost.

Svenska kraftnät must run the communication network in a cost effective and competitively neutral manner. The communications network and the amount of routed fibre provide greater capacity over many stretches than Svenska kraftnät needs for its own operations and communication. Svenska kraftnät thus rents out so-called dark fibre, optical fibre without active telecommunications equipment, to among

THE FIBRE OPTIC NETWORK IN SWEDEN 2013

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



others major telecom operators and power companies. This occurs through direct sales and through cooperation in the associate company Triangelbolaget [10].

Furthermore active connections are rented out, in terms of capacity, to power companies for their operational communications. To contribute to the Government's broadband objective Svenska kraftnät took the decision in the spring to lay new 96-fibre cables instead of the current 48-fibre cables when new top power lines are constructed. This is in order to be able to offer fibre optic to customers even over short distances. New cables will be installed in the optic fibre network, starting in 2014. The additional cost of locating 96-fibre cables in relation to 48-fibre cables is minimal while the benefit to customers of getting access to optical fibre, even at short distances is great.

Operating revenue also includes revenue from external customers for rental of computer networks, telephone networks, and leasing of antenna sites on masts and poles, as well as internal revenues from the operational area Transmission of Electricity on the Grid.

TELECOMMUNICATIONS (MSEK)	2013	2012
OPERATING REVENUE		
External	**75**	56
Internal	**51**	55
TOTAL	**126**	111
OPERATING EXPENSES		
External	**-48**	-52
Internal	**-48**	-53
TOTAL	**-96**	-105
OPERATING INCOME		
External	**27**	4
Internal	**3**	2
TOTAL OPERATING INCOME	**30**	6

The business segment's total revenue amounted to SEK 126 (111) million, of which external operations amounted to SEK 75 (56) million. Leasing of dark fibre constitutes the largest share of external revenue. During the year, masts were sold which generated a capital gain of SEK 6 million. The low revenue last year was due to adjustments for previous years. Internal revenues from the operational area Transmission of Electricity on the Grid amounted to SEK 51 (55) million. Costs during the last year were affected by high maintenance costs due to frozen fibres.

Operating income amounted to SEK 30 (6) million, where the increase was largely attributable to increased external income as a result of new contracts which in 2013 started generating revenue and capital gain on the sale of radio masts. The operating margin was 23.8 percent (5.4).

Investment in the business segment Telecommunications amounted to SEK 16 (32) million. Investments in telecommunication networks declined, mainly due to delays in construction projects where telecommunications is a part.

SYSTEM OPERATOR FOR GAS

System operator for the Swedish gas supply was handed over to Swedegas AB on 1 June. Final settlement was made in the third quarter.

Svenska kraftnät in its role as system operator has had overall responsibility for ensuring that the balance between supply and use of gas is maintained. The utility monitored the pressure in the Swedish transmission network [11] for natural gas and took appropriate action when there were imbalances.

To ensure a good balance in the natural gas system, the pressure according to Svenska kraftnät goals must lie in the range 46-68 bar, a measure which is continuously monitored. During the period 1 January to 31 May, 2013 there was low pressure within the indicated range.

SYSTEM OPERATOR FOR GAS (MSEK)	2013	2012
Operating revenue	**31**	50
Operating expenses	**-30**	-49
OPERATING INCOME	**1**	1

In 2013, trade between Svenska kraftnät and the balance providers increased, leading to increased revenue and expenses. As the system operator role transferred to Swedegas AB from 1 June 2013 the 2013 income and expenditure period refers to January - May 2013. Operating revenues for 2013 amounted to SEK 31 (50) million and operating expenses amounted to SEK 30 (49) million. Operating income amounted to SEK 1 (1) million. Operating margin was 3.2 percent (2.0).

Investments amounted to SEK - (-) million.

CHARGEABLE ACTIVITIES

Accounting of certificates and the issuing of guarantees of origin for electricity are all part

[10] www.triangelbolaget.se

[11] 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.

THE NATURAL GAS NETWORK IN SWEDEN (HIGH PRESSURE PIPELINES)

of this business segment. Up until 30 June the levying of charges for the supply of natural gas were also included.

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 of electricity. Demand for certificates is created by quotas. Those bound by quota obligations are required to purchase and cancel a certain number of certificates in relation to the sale or use of electricity. Electricity certificates can be sold to electricity suppliers and electricity users, who are obliged to purchase certificates corresponding to a certain portion of their sales and consumption.

Svenska kraftnät is responsible for issuing and keeping account of electricity certificates and takes out a charge for this to be decided by the Government. The Swedish Energy Agency is responsible for other administrative tasks.

In 2013 Svenska kraftnät issued about 15 (21) million certificates, which is a decrease of 28.6 percent compared with last year. The reason is that in January 2013 approximately 1,450 plants were phased out of the system. Approximately 46 (46) million certificates were traded during the year at an average price of SEK 203 (200) per certificate. Since the introduction of the system about 159 (143) million certificates have been issued in Sweden.

From 1 January 2012 Sweden and Norway have had a common electricity certificate market. In 2013, the Swedish electricity certificate registry was updated to handle multiple currencies. In addition, the update meant that both the Swedish and Norwegian registry hold certificate statistics for the entire market.

During the year the system support for the electricity certificate registry has been replaced by a newer version and now also includes a guarantee of origin register.

CHARGEABLE ACTIVITIES (MSEK)	2013	2012
OPERATING REVENUE		
Account fee	**8**	7
Administrative fee	**0**	0
OPERATING EXPENSES		
Operating expenses	**-10**	-5
OPERATING INCOME	**-2**	2

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. an electronic document that guarantees the origin of electricity. Guarantees of origin may be issued, transferred and cancelled. Svenska kraftnät is also the account-holding authority responsible for issuing and accounting guarantees of origin. The Swedish Energy Agency is responsible for other administrative tasks.

In 2013 Svenska kraftnät issued 141.6 (141.0) guarantees of origin. During the year 127.3 (101.5) million guarantees of origin were transferred and 88.7 (27.2) million were cancelled to the benefit of electricity supplies. The reason for the substantial increase in cancellations is that the Swedish Energy Market Inspectorate's regulations and general guidelines on disclosure of electricity came into force on 1 January 2013. The regulation specifies what electricity suppliers should state on

invoices provided to electricity consumers about the energy sources' composition and impact on the environment. The cancelled guarantees underlie the suppliers' origin labelling. The number of guarantees of origin that have been automatically cancelled amounts to 44.2 (10.8) million. Automatic cancellations are due to the expiry date, i.e. twelve months have passed from the production period. Today, it is not mandatory for producers to apply for and obtain guarantees of origin issued for their production.

CHARGEABLE ACTIVITIES, GUARANTEES OF ORIGIN (MSEK)	2013	2012
OPERATING REVENUE		
Account fee	**5**	4
OPERATING EXPENSES		
Operating expenses	**-8**	-4
OPERATING INCOME	**-3**	0

TOTAL INCOME FROM BUSINESS SEGMENTS

CHARGEABLE ACTIVITIES (MSEK)	2013	2012
TOTAL OPERATING REVENUE	13	11
TOTAL OPERATING EXPENSES	**-18**	-9
TOTAL OPERATING INCOME FOR THE BUSINESS SEGMENT	**-5**	2

Operations with electricity certificates and guarantees of origin aim to not generate profit, but the revenue should be adjusted to cover the costs that the business generates. Due to the deductions made after the previous year's electricity certificate profits, there is a loss for 2013.

Total operating revenues for the business segment Chargeable Activities was SEK 13 (11) million. Operating expenses amounted to SEK 18 (9) million and operating income SEK -5 (2) million.

The surplus of registered electricity certificates increased for the second consecutive year and was higher than projected. This has affected the revenues for electricity certificates, which have increased since the fee structure is based on the inventory.

From 1 May fees were raised for accounting of guarantees of origin.

During the year, an update of the system support of the register of electricity certificates and guarantees of origin has been conducted, which has led to higher costs. In addition, earnings were impacted by SEK 4 million regarding disposal of IT systems.

Operating margin amounted to 38.5 (18.2) percent.

Investments amounted to SEK 1 (0) million.

ELECTRICITY CONTINGENCY PLANNING

Svenska kraftnät is electricity contingency planning authority. This means the utility, with help of the annual appropriation funds, must ensure that the electricity supply in the country is enhanced in order to cope with the severe strains in peacetime and in times of alert or war. Svenska kraftnät implements among other things, contingency enhancement measures in technology, communication, physical security, as well as training and exercises.

During the year Svenska kraftnät issued new regulations and general advice on security, SvKFS 2013:1, and produced guidance and a threat directory to support electricity companies in their security work.

During the year, the regulations and general advice, SvKFS 2013:2, developed in response to changes in electricity contingency planning law. Even guidance for risk and vulnerability analysis for the electricity sector has been developed.

REDUCE THE RISK OF SERIOUS DISTURBANCE IN THE ELECTRICAL SYSTEM

As in previous years Svenska kraftnät has contributed funds to a disturbance reserve in order to maintain readiness of gas turbine plants. This is so that during major disturbances, island operation [12] can begin and electricity generation in priority areas can restart. 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. Even operational tests, exercises and training of employees and organisations have been implemented in order to increase knowledge of island operation.

An investigation for the procurement of an additional mobile station has commenced, to temporarily replace a broken station in central Sweden as well as the procurement of the connecting equipment.

In order for Svenska kraftnät to be able to decide on the operational measures and usage

[12] Operation of the electricity system isolated from the overlying electricity network.

of remote communications to control the grid and production plants, the utility has reviewed and verified operational communications' redundancy and survivability at a number of players.

Reserve power has been installed in priority facilities to quickly return to normal operations with efficient communications when there have been long-standing and widespread disturbances in the electrical system. Training and exercises have been implemented.

Based on the previous year's review Svenska kraftnät has reduced the risk of intrusion and damage by installing video surveillance, alarms and physical security at a number of priority sites. Requirement specifications for measures in additional facilities have been developed.

SPACE WEATHER

Solar activity may influence among other things electrical systems and communications on Earth. Eruptions on the solar surface with so-called corona mass ejections can cause massive energy flows that affect the Earth's magnetic field which can induce high voltages in solidly earthed power systems, telephone lines and oil and gas pipelines. As a result of modern society's increasing dependence on electricity increased attention has been paid to these phenomena.

Svenska kraftnät is involved in cooperation around these issues, both in the U.S. and EU. Svenska kraftnät is generally considered to have good resistance to geo-magnetically induced currents. In 2012, protection against magnetic storms was investigated and implementation of the proposed measures is ongoing. During the year a Letter of Intent was signed with the Institute of Space Physics in Lund on information sharing and the purchase of services when there is elevated solar activity.

COORDINATION AND POOLING OF RESOURCES

Svenska kraftnät is responsible for mobilizing and coordinating resources 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.

To extend their operational lifetime and to meet environmental requirements tracked vehicles have been converted to diesel operation. Emergency poles have been supplemented with brace anchors and ropes and kit added. A storage room has been expanded to ensure the function of emergency equipment.

When the storms Hilde and Sven-affected central Norrland in November and December, the mobile command and communication system (Molo) as well as Rakel mobiles were sent to electricity companies in the affected areas to enhance communications in connection with the repair of destroyed lines.

Training was conducted with national and regional network installers to repair destroyed lines with special contingency supplies. Distribution electricians in local networks have been trained to be able to repair main grid and regional lines. Even civil defence personnel with voluntary agreements have been trained in order to maintain their skills. Leaders have been trained to lead staff and repair work. 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) development work has been prioritized on coordinated repair contingency for grid lines, Nordic contingency planning and information security. The Nordic grid companies and authorities have also had the opportunity to participate in each other's contingency exercises.

FAST AND EFFECTIVE MANAGEMENT AND INFORMATION MEASURES

Svenska kraftnät, together with regional network companies and Nordic grid companies, has conducted a field exercise and simulation as part of Elövning 2012. The exercise contained contingency for prompt and effective management and maintenance teams as well as island operation in the event of serious disturbances in the electricity supply in peacetime. Svenska kraftnät, together with the industry participated in a regional joint exercise, Telö13, and in the collaboration exercise El Prio 2013.

Training and exercises were conducted with personnel in the electricity industry as part of the seven electricity collaboration areas. The aim has been to enhance crisis management capability through such things as repeat and apply knowledge of situation follow up and reporting system Susie, Rakel and the electricity collaboration organisation's methodology.
Svenska kraftnät and the Swedish Post and Telecom Authority (PTS) have funded training and exercises in crisis management. The courses are targeted at participants from the energy industry and the electronic communications sector.

The Swedish Post and Telecom Authority (PTS) and Svenska kraftnät have also implemented regional electricity and telecommunications seminars. The purpose of the seminars was to develop greater understanding and collaboration between the electricity network owners, telecom operators and responsible authorities in geographical areas in the event of power failure or disruption of electronic communications.

During the year the utility has informed about and practiced with some small and medium sized businesses in how to handle severe operational situations in the electricity supply. To increase electricity companies' understanding of electrical properties when networks are weak and for operational activities during severe strains, power system simulators have been used as an aid.

Susie has been developed and a new version has been deployed. The system has been enhanced to enable companies to use it more in their daily work.

Svenska kraftnät has made a contribution to research on SCADA[13]-systems' security.

INTRODUCING RAKEL

Rakel is a digital communication system. The utility has worked during the year to develop national guidelines for the use of Rakel in the electricity supply and related sectors[14]. This work was conducted with representatives from the electricity industry. The utility has participated in the energy industry's Rakel Forum.

In connection with the exercises and training Svenska kraftnät has worked to increase awareness and use of Rakel among electricity industry actors.

Prioritized functions in operational centres/ the control room, crisis management and disturbance organisations have been equipped with Rakel mobiles.

CONTINGENCY PLANNING

In 2013 Svenska kraftnät's crisis management organisation has focused on addressing weaknesses identified in connection with the exercise and training activities carried out in 2012. Measures have focused on clarifying the crisis management organisation's mandate, organisation and functions. Exercise and training activities in 2013 have included two call-up tests, an alarm and decision training as well as training in Susie.

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 responsible for and works to further develop supervision of dam safety. During the year the utility has made a national compilation of dam owners' annual reporting to respective county administrative boards.

Svenska kraftnät has developed procedures for increased dam safety reporting and regulatory monitoring of dams, which in the event of a dam failure, would cause particularly serious consequences. During the year, the routines have been tested on about 20 of these dams. Evaluation of procedures has been carried out in collaboration with the dam owners and county administrative boards.

CLIMATE CHANGE AND DAM FLOW DESIGN

Svenska kraftnät follows the effect of climate change on dam safety and in 2013, in conjunction with the power industry, mining industry and SMHI, led efforts to revise the guidelines for dam flow designs.

READINESS FOR DAM FAILURE AND HIGH FLOWS

Svenska kraftnät is working to reduce the risk of serious disturbance to the community as a result of dam failure or high flows. To reduce the damage that can result from high water flows the utility is supporting the development of coordinated contingency planning for dam failures in the major regulated rivers. During the year the flood maps for Lagan have been developed and work with the corresponding maps continues on Ångermanälven and Umeälven. Work on a coordinated contingency plan for dam failure is ongoing for the eleven largest hydropower rivers. In 2013 Svenska kraftnät implemented an inventory of needs and interest for the planning of additional power plants on rivers.

KNOWLEDGE DEVELOPMENT AND SKILLS PROVISION

Svenska kraftnät supports along with the power industry, research and development projects in dam safety. Svenska kraftnät has participated in dozens of projects, including permission monitoring of dams, ice loads on dams, high flows and climate change. The utility also supports Svenskt Vattenkraftcentrum, a centre for higher education and research that aims,

[13] Supervisory Control and Data Acquisition (SCADA).
[14] A predefined group that can communicate with each other through Rakel.

EMPLOYEES

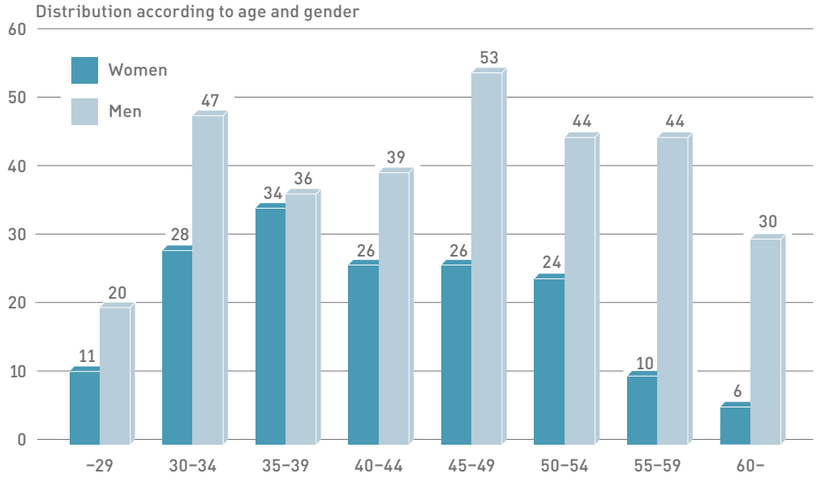
The number of employees, the workload and the need to use external resources is increasing. International work requires greater internal resources and emerging technologies, the additional workload demands new skills.

Svenska kraftnät has chosen to man strategically important tasks with their own staff. As a client organisation, the utility cannot directly control what skills are on the market and it is therefore an important challenge to work with consultants and contractors to retain Svenska kraftnät's significant 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 for internal communications and administrative support tasks. The need increases for well-functioning administrative, usually IT-based, support systems at the same rate.

Major global changes and an expanded mission requires 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.

The goal is that Svenska kraftnät will be one of Sweden's top ten employers by 2015. An employee survey conducted earlier this year showed that Svenska kraftnät is already a very good employer, but not in the top ten. To meet future challenges there are growing demands on leaders. A clear, grounded and goal-oriented management is one of several important prerequisites for creating a good, efficient and value-driven workplace. To strengthen the Svenska kraftnät brand and attractiveness as an employer there is an on-going project "Sweden's Best Workplace". There are activities undertaken in order to develop and retain employees and attract new expertise.

The Group had 478 (449) permanent employees at the end of the year. Converted to full-time employment, there are 471 (440), of whom 314 (294) males and 157 (146) women. Staff turnover was 6.9 (6.5) percent, including retirements. Sick leave during the year was 2.6 (2.0) percent. The average age at Svenska kraftnät is 44 (44) years.



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

Svenska kraftnät is perceived as a very gender and parent-friendly workplace where consideration is given to employees with different backgrounds. The proportion of women in the organisation is steadily increasing and is now over a third. Almost half of the utility's managers are women.

KEY FIGURES, GOALS AND OUTCOMES	OUTCOME 2012	GOAL 2013	OUTCOME 2013	GOAL 2014
Number of permanent employees	449	500	478	565
Full-time employment	440	480	471	550
Total staff turnover	6.5 %	<5 %	6,9 %	<5 %
Staff turnover excl. retirement	4.0 %	<2.5 %	4.5 %	<2.5 %
Average age	44 yrs	<45 yrs	44 yrs	<45 yrs
Proportion - women	33 %	34 %	33 %	>35 %
Proportion – female managers	46 %	>40%	48 %	>40 %
Foreign background (SCB's def.)	11 %	>12 %	11 %	>12 %
Sick leave	2,0 %	<2 %	2,6 %	<2 %
Long-term healthy employees (no days of illness)	54 %	> 60 %	54 %	>60 %
Proportion on long-term sick leave of over 60 days	0,6 %	<1 %	1,2 %	<1%
No. of long-term sick on full-time	1	0	0	0
New employees	83	70	63	90
Average age – new employees	38 yrs	<40 yrs	38 yrs	<40 yrs
Proportion of women among the new employees	36 %	>40%	37 %	>40%
Job rotation, number of people	25	>25	30	>30

According to the objectives for 2013, the number of permanent employees at the end of the year should have been 500. The lower figure of 478 people is mainly due to the fact that the recruitment process started too late and that staff turnover increased to 6.9 percent. Even absenteeism has increased and the reason is that many were sick due to influenza in the first quarter.

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

An analysis of the experience and competence of the employees who will retire in the next five years is performed annually. The analysis shows which employees have mission-critical skills which must be transferred in any form to younger employees. During 2013, 36 employees planned for such a skills transfer, including 16 with mission-critical skills.

Virtually all employees have completed a performance review during the year, which also includes documenting an individual development plan. A salary survey was conducted during the year.

A trainee programme with six young engineers ended during the year with an internship abroad at Statnett in Oslo and at ENTSO-E in Brussels for two of them. Svenska kraftnät has appeared in four (four) career days at selected universities and has been a supervisor for fourteen (eight) theses.

Svenska kraftnät has continued to focus on being a healthy and safe workplace. The utility acts quickly in cases of long-term sickness and after two weeks of sick leave, an action plan must have been established between employee and manager. This helps virtually all long-term sick back to work. During the autumn a risk assessment of the working environment was carried out throughout the organisation. Work with health and safety in the utility's investment projects has strengthened during the year and resources in this field have been added to investment and maintenance operations. No serious accidents have occurred during the year in Svenska kraftnät's operations.

SICK LEAVE (%)	–29 yrs	30–49 yrs	+50 yrs	TOTAL
Women	1.8	4.0	6.5	4.3
Men	0.4	1.0	2.7	1.6
TOTAL	**1.0**	**2.2**	**3.6**	**2.6**

During the year the concept of leadership support and development has been developed and leadership criteria put in place. Managers have received support in their leadership with an increasing scope throughout the year. Ten years ago Svenska kraftnät had just one female manager. Today, half of the managers are women. A preparatory leadership programme for twelve potential leaders has been conducted during the year and planning for a new leadership programme for 2014 is completed.

Svenska kraftnät works with other authorities through work coordinated by the Swedish Agency for Government Employers. Svenska kraftnät is in addition Chair of the parent entity delegation, where extensive experience sharing and development work is conducted in order to strengthen the State as an employer. Svenska kraftnät participates in the project " rörlighet i staten," where agencies under the Ministry of Enterprise, Energy and Communications create opportunities for sharing competence.

GOALS FOR SKILLS PROVISION 2014

A large number of new employees will be recruited and according to plan Svenska kraftnät will have 565 permanent employees at the end of 2014. A continued focus on effective recruitment processes and a good induction for new employees is of paramount importance.

Efforts to strengthen both Svenska kraftnät as an employer and employer brand continue and measurements around this will be performed in-house and among students.

In 2014, Svenska kraftnät will carry out a skills analysis, to ensure that the organisation has the right skills to meet its goals and challenges. The analysis will also describe the activities required to meet the skills shift from older to younger employees.

This year Svenska kraftnät will introduce a model that clarifies employees' opportunities for career advancement at the utility, even in different specialist roles.

Managers will be offered a leadership programme for both personal development and practical leadership support. The utility will identify 12 possible managerial candidates and conduct a preliminary management programme for them.

Health and safety will be further developed, especially in development projects and in maintenance activities. Working environment work must be followed up with risk assessments in every part of the organisation and a new incident reporting system will be operational.

Work on equality and diversity continues according to plan and a salary survey is to be presented.

A renewed activity plan for the utility's work on values will be developed and implemented.

The utility will participate in at least four job fairs and offer at least ten theses.

Other goals for 2014 are shown in the table of key figures, targets and outcomes.

GOALS FOR SKILLS PROVISION 2015/2016

The long term goal for tomorrow's skills provision is that Svenska kraftnät will be one of Sweden's most attractive employers. The utility will be considered a modern and stimulating workplace that is committed to retaining and developing the right skills. Svenska kraftnät will also be a well known employer to external audiences that are interesting to the utility. Employer will also refer to the role of outsourcer to consultants and contractors. It should also be known that Svenska kraftnät takes responsibility for environmental issues and sets high standards so that the working environment is safe for both employees and consultants and contractors.

Svenska kraftnät wants to attract, develop and retain the best employees and have the following long-term goals for skills provision:

Svenska kraftnät has staff that deliver what it takes to fulfil our mission now and in the future.

- Svenska kraftnät's values are known and core values permeate all activities.
- Svenska kraftnät provides support, inspiration and guidance for managers and leaders of the organisation to deliver their best.
- Svenska kraftnät ensures that we have a systematic working environment programme to ensure no incidents or accidents with recurring root causes occur.

WITH THE AMBITION TO BECOME SWEDEN'S BEST WORKPLACE!

Svenska kraftnät is currently in an intense and expansive period. This creates a greater need for new employees than ever before.

– Right now we are expanding the Swedish national grid to meet today's high power consumption and requirements for a secure electricity supply. With this, we must recruit new colleagues. But that's not all. We must also be able to retain our employees and managers, says Claes Vallin, HR Director at Svenska kraftnät.To do this, Svenska kraftnät has set the goal to become one of Sweden's most attractive employers. An ambitious goal that requires continued business development and commitment throughout the entire utility.

– Collaboration is a key word in all of our processes, which means that an employee is involved in all development issues, big and small.

ENSURING SWEDEN NEVER STOPS

Challenging tasks. Clear development paths. Balance in life. Good benefits. The arguments are many when employees themselves have their say about what they think of their workplace. But one factor weighs heaviest.

– The work is meaningful. Without us, Sweden doesn't work, and there is a pride in the walls at Svenska kraftnät, says Claes Vallin. The work we do is full of responsibility but also often challenging, which makes you constantly develop your skills.

– The core of our culture is collaboration, sharing knowledge and helping each other. We all work towards the same goal and that requires a team spirit, adds Claes.

Another important feel-good factor that emerges from the employee surveys is that Svenska kraftnät allows for work/life balance.

– Having a balance between work and private life means employees are happy in their work. We also avoid having appointments early mornings and late afternoons, to facilitate the employees' many commitments.

LEADERS WHO CAN LEAD

Employee Surveys over the years have shown that Svenska kraftnät has leaders who are appreciated. The utility's rapid rate of expansion, however, places new and greater demands where a clear and goal-oriented management is one of several important conditions. This will be achieved by giving the utility's leaders good prerequisites such as development and tools for handling the different dimensions of leadership.

ENVIRONMENTAL WORK

Svenska kraftnät's vision "A leading role for a secure and sustainable electricity supply" reflects the utility's ambition to work for environmentally friendly and energy efficient solutions for the transmission of electricity on the national grid. Operations inevitably have some impact on the environment, but Svenska kraftnät's goal is that the environmental impact will be minimized.

Environmental work is a natural part of the business. Svenska kraftnät is working for an environmental management system certified to the ISO 14001 standard. In the Environmental Protection Agency's annual environmental ranking of government agencies' environmental management, Svenska kraftnät, for the second consecutive year, received the highest possible score.

COORDINATION GIVES BETTER SUPPORT

In 2013, environmental work has increasingly been coordinated with work in the fields of quality, health and safety, electrical safety and security. The areas have much in common. A coordinating group consisting of specialists in the various fields collaborates on common issues. The purpose of the HSE work (Health, Safety and the Environment) is to align ways of working and thus ease the work of the organisation. The group operates and provides support to the organisation e.g. issues, risk assessments, interpretation of laws and audits.

New and clearer environmental requirements for the implementation of contractors have been introduced during the year. An endeavour has been made to harmonize the requirements with the requirements of other major developers. Work is also underway to design environmental requirements that may already apply at the qualification stage of procurement.

Sound environmental knowledge is a prerequisite for good environmental work. Svenska kraftnät has implemented environmental training programmes and workshops for maintenance engineers, project managers and contractors. Web training programmes for new employees and contractors have been revised and improved to respond to the increased demands for environmental expertise.

The year saw a number of environmental audits, including in investment projects and maintenance. Some of the audits produced good results. In some contracts, however, some shortcomings are addressed, particularly in terms of environmental plans and procedures for deviation management, document management and monitoring.

Svenska kraftnät reports environmental management in a specific procedure to the Swedish Ministry of Enterprise, Energy and Communications and the Environmental Protection Agency under the Ordinance (2009:907) on environmental management in Government agencies. Correspondingly, energy efficiency measures are reported to the National Energy Administration under the Ordinance (2009:893) on energy efficiency measures for Government agencies.

IMPROVEMENTS WITHIN PROJECTS AND MAINTENANCE

Svenska kraftnät has a major responsibility for ensuring that operations are conducted in a safe manner for both people and the environment. The utility works on prevention by requiring that contractors must have systematic HSE work. The requirements are monitored during the execution of contracts. In 2013, new support and control functions have been set up in projects in the form of HSE coordinators and building inspectors for the environment.

Construction projects are subject to ongoing improvements. One example is the precautions taken around oil-filled cable terminations, which contain 500–700 litres of oil. A new technique has now been introduced that involves using geo-textile cloth which is permeable to water but not oil. This prevents the oil from leaking.

During the year, Svenska kraftnät's use of creosote-impregnated sleepers for line foundations has attracted attention. Some municipalities and landowners have shown concern that creosote will leach out and contaminate soil and water. Svenska kraftnät has concluded after an overall environmental assessment that the sleeper foundations constitute the best available technology that is reasonable to use based on the knowledge and the options currently available. According to life cycle assessment studies and diffusion studies to date, it is the solution that provides the least overall environmental impact.

A new environmental and occupational risk identified in development projects is the possible presence of anthrax, which, according to the National Veterinary Institute may be present in the soil around the country. To prevent this risk, new procedures have been developed for contractors' digging and piling work.

During the year Svenska kraftnät stations have been surveyed with regard to energy efficiency. Based on the results, energy saving measures will begin to be carried out during 2014. Free cooling[15] will be installed in new technology sheds from 2013 instead of conventional chiller which saves energy.

Svenska kraftnät is working systematically to limit greenhouse gas sulphur hexafluoride (SF6) used in such things as switches. Even in 2013, emissions were very small, barely 0.2 (0.1) percent of the installed gas amount. This is far below the requirements for new equipment where a maximum emission of up to 0.5 percent is approved. An environmental audit of maintenance work involving emptying and refilling SF6 gas in circuit breakers showed that the requirements Svenska kraftnät has to avoid the risk of gas escaping were followed well.

At the contingency reserve in Åsbro work has continued during the year with a series of environmental improvements, including replacement of engines in tracked vehicles to engines with lower emissions, energy saving measures and the safe storage of sleepers.

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

DEVELOPMENTS FOR A BETTER ENVIRONMENT

During 2013 Svenska kraftnät conducted a project with a view to introducing a new system for dealing with accidents, incidents and deviations in the areas of health and safety, environment, quality, electrical safety and security. There is an overarching goal that no serious accidents or incidents with a known root cause are repeated. The aim of the incident management system is to achieve an efficient management of incidents and obtain event data that can be used in long-term prevention. The system is planned to be operational in spring 2014.

During the year the utility launched a development project in order to obtain a better basis for estimates of how sleeper foundations should be handled after demolition of lines. The project includes such things as sampling and analysis of the risk of spreading and contamination in different soil and water conditions. A feasibility study is completed and the main study will be conducted in spring 2014. Several development projects are also underway to find alternatives to creosote impregnated foundations and poles. Including the development of prefabricated concrete sleepers and testing poles in stone fibre and composite materials.

During the year a thesis investigated if chemical weed control in substations can be replaced with a more environmentally friendly method. One method, NCC Spuma, was tested in a field trial in a plant and its environmental impacts were investigated by an LCA. This method means that the weeds were combated with hot water and insulating foam. Some development is needed, however, before the method can be introduced.

In one project, implemented in collaboration with the Swedish Biodiversity Centre and the Swedish University of Agricultural Sciences, the extent that power line corridors act as dispersal corridors for butterflies in different types of landscapes has been examined. In 2013, line sections have been selected and in the summer of 2014, an inventory of butterflies will occur. Leaving stumps when clearing power line corridors can benefit many species, mainly wood beetles, but also species of fungi, lichens, mosses and birds. This has been tried during the year. Svenska kraftnät interacts with several of the infrastructure's operators around how grasslands adjacent to the infrastructure can, with proper care, be a resource for the conservation of biodiversity.

[15] Cool air is drawn from outside to cool the indoor air.

RESEARCH AND DEVELOPMENT

Research and development (R & D) in the areas of transmission and distribution is important for Svenska kraftnät operations. Svenska kraftnät is active in research and technology development to support future electrical systems that meet climate goals, that are reliable and flexible enough to handle our operational environment changes and requirements. Svenska kraftnät is involved and therefore supports technological research, development and demonstration in ten technological areas: system utilization and reliability, system impact of large-scale renewable electricity generation, the environment, information and management systems, maintenance, dam safety, the electricity market, technology for stations and lines, skills provision, and other initiatives that span more technical areas. In 2013 Svenska kraftnät introduced a new organisation for R & D to strengthen R & D activities and set up a prospective three-year R & D plan.

Svenska kraftnät often implements research and development in partnership with industry participants through Svensk Energi jointly owned Elforsk AB. Collaborating with universities is also a priority. Overall, research and development activities are of great importance in the long term to ensure and enhance the skills required for Svenska kraftnät's obligations now and in the future.

Svenska kraftnät is a partner in the development company STRI AB in Ludvika with ABB, Statnett and Det Norske Veritas (DNV). Research and development projects are implemented here, often in collaboration with partners. Joint projects with the Nordic grid companies are also ongoing. In 2013, research issues of common concern in Europe continued to increase. Examples of such issues include the integration and balancing of renewable energy to different grids.

During 2013, Svenska kraftnät used SEK 20 (21) million for research and development.

Here are some of the projects that were conducted during the year and which help to improve the reliability, availability and efficiency of the electricity system in the long-term.

> A prototype has been built to test a measurement method for non-contact temperature monitoring of isolators. This was installed as a test in 2012. Analysis of data was made from 2013 at the Royal Institute of Technology as a PhD project.

> In 2013, studies started on how Svenska kraftnät will handle an expected reduction of inertia in the power system, which can lead to unacceptable frequency deviations. A thesis is planned to start during spring 2014 in cooperation with Fingrid and the Nordic Analysis Group (NAG), which aims to propose solutions to prevent frequency deviations after major disturbances.

> Power system models for 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, to help enhance skills. Aristo is in place at Chalmers, the Royal Institute of Technology and Lund University.

> In collaboration with consultants and colleges Svenska kraftnät is building up knowledge of the DC technology VSC (Voltage Source Converter) for power transmission on land and at sea.

> Svenska kraftnät is participating in the Nordic knowledge network (nordiska kunskapsnätverket) for research on Phasor Measurement Units (PMU). This is a new technology that can provide a better understanding of the Nordic network dynamics, improve monitoring capabilities and ultimately provide instruments for the networks.

> SCADA [16] – Security is an investment in information and operating system, which was established in 2010 and has continued in 2013. Collaboration takes place between the Royal Institute of Technology, the Swedish Defence Research Agency and Svenska kraftnät where Svenska kraftnät is funding research at the Royal Institute of Technology.

> In 2013, Svenska kraftnät continued to study two new techniques to better assess the status and risk of failure associated with high trees in power line corridors. One technique uses advanced measuring techniques using lasers. The second method is based on three-dimensional photography, combined with advanced computerized interpretation. The goal is to introduce the option that fits operational plant maintenance operations best. The evaluation was made in 2013 and continues in 2014.

> Financial support for the higher education research programme Elektra and to Vindforsk. Direct support to selected research projects has also been made to colleges.

> As part of its efforts in smart grids Svenska kraftnät participates in an Elforskprojekt. The utility is also actively involved in the global International Smart Grid Action Network (ISGAN) and the Swedish Government's coordination council for the smart grid.

> Svenska kraftnät supports knowledge and skills-building for the safety of dams in part through R & D projects, and by supporting the Swedish Hydropower Centre (SVC) which is a centre for tertiary education and research in hydropower and mining dams. SVC operations are divided into two areas of expertise, hydraulic-engineering and hydro turbines and generators. Svenska kraftnät supports both areas.

16 Supervisory Control and Data Acquisition (SCADA).

INTERNATIONAL COLLABORATION

Svenska kraftnät is working to increase the integration and harmonization of the Nordic electricity markets and electricity networks. The utility also has the task of further developing electricity market cooperation within Europe to promote a single market for electricity.

WORK WITHIN ENTSO-E

In Europe, extensive work towards creating an integrated European electricity market with a safe and secure energy supply is underway. The EU's third legislative package on the internal market in electricity is a key part of this effort and has resulted in an increased demand for a European presence and focus by Svenska kraftnät. Cooperation between the European grid companies is conducted within the organisation ENTSO-E. 41 European grid enterprises in 34 countries cooperate within ENTSO-E. In addition to the EU member states, ENTSO-E includes Norway, Iceland, Switzerland and the countries of former Yugoslavia who are not members of the EU.

During 2013, Svenska kraftnät has actively contributed to ENTSO-E's efforts to, at the request of the European Commission, develop proposals for binding European rules, so called network codes [17] within the areas of operations, network planning and the market. The utility's participation is important in influencing the European regulations that are developed so that they promote a well-functioning integrated European electricity market. It is the European Commission that finally puts forward a bill. During the year Svenska kraftnät has had a continuous dialogue with, among others, the Ministry of Enterprise, Energy and Communications and the Energy Markets Inspectorate and discussed the draft laws.

In 2013, Svenska kraftnät also contributed to ENTSO-E's efforts to develop the European ten-year network development plan to be published in December 2014. The Network development plan indicates planned and necessary reinforcement of the transmission network in Europe by 2030 and is based on a common European electricity market and network studies. Svenska kraftnät also contributed to the preparation of an update of the status of the more than 700 investments that were included in the development plan that was published in 2012, a so-called 'Monitoring update. "

DEMAND FOR GREATER TRANSPARENCY

In 2013, the commission's transparency regulation came into force[18]. The regulation provides that information such as available transmission capacity and publication of fundamental market data related to supply and demand will be published on a central platform at ENTSO-E from 2015. During 2013, Svenska kraftnät participated in ENTSO-E's efforts to develop the central platform and started an internal project to meet the requirements of the regulation.

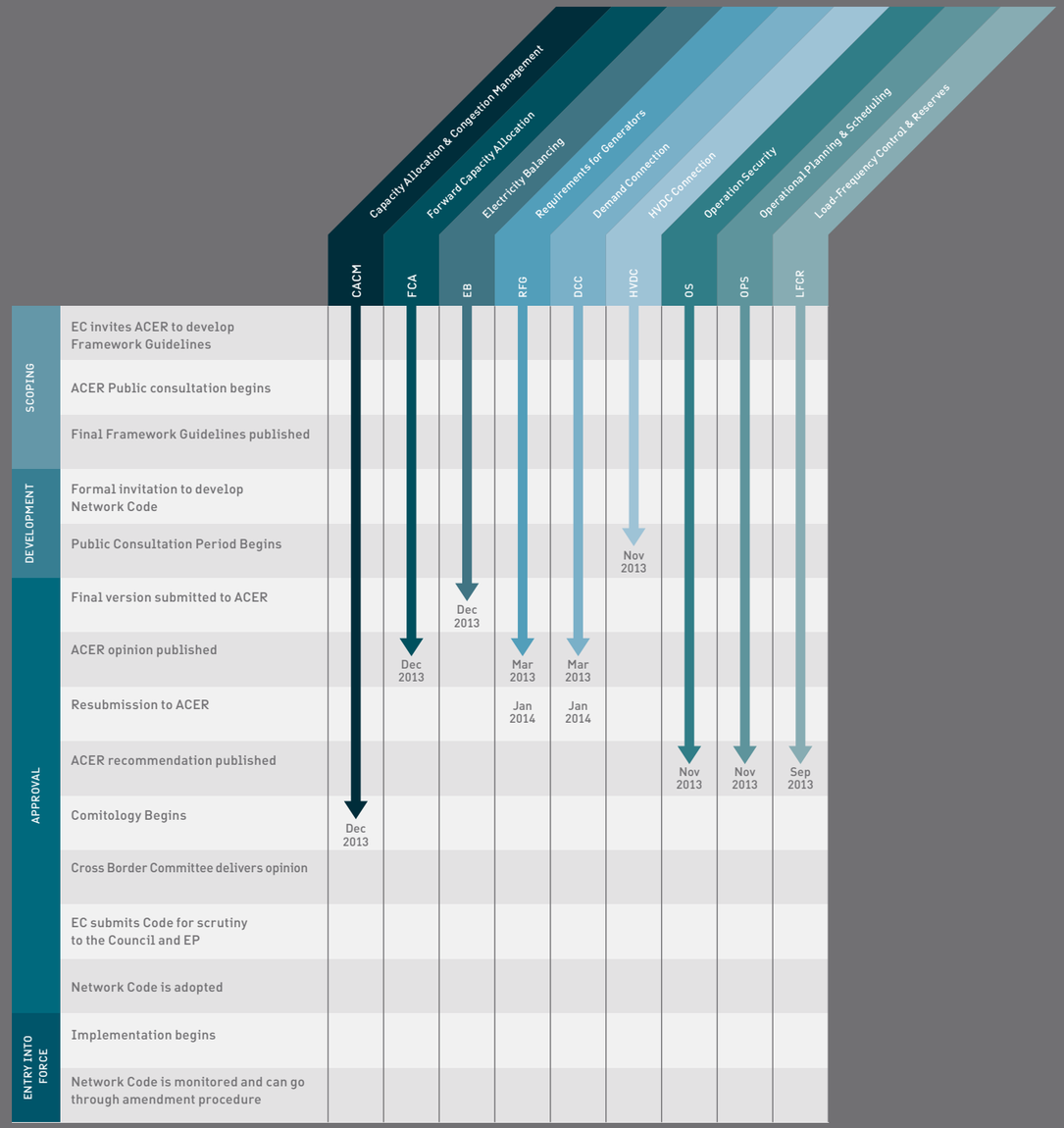
MARKET COUPLING

The integration of European markets has also been a big issue for Svenska kraftnät and other partners within the European work in 2013. During the year, efforts to connect different regions in Europe have continued. In 2013, Svenska kraftnät was engaged in projects that aim to deepen the integration of Sweden and Scandinavia with Central and Western Europe and the UK through 'price coupling of the day-before trading. This means that the power exchanges simultaneously and with the same methods of calculation calculate market prices

[17] Nätkoder (sv.)

[18] Commission Regulation (EU) No 543/2013 of 14 June 2013, on the submission and publication of data on the electricity market and amending Annex I to Regulation (EC) No 714/2009.

NETWORK CODES STATUS SLUTET AV 2013



Source: ENTSO-E

and trading volumes between areas for the coming delivery day. This will mean accurate rates and flows between market areas in the region will be secured.

The northwest European region is the first to use the solution for price coupling of the region's price markets that have been developed in cooperation between the European exchanges. The aim is to start price coupling of the day-before-trade throughout northwest Europe in 2014. The project has been selected as a pilot project by ENTSO-E and ACER. The idea is that this solution will be extended over time and include other regions in Europe.

During the year, the system operating grid companies in the region also worked with the power exchanges to develop and implement a joint solution for intra-day trading.

NORDIC HARMONISATION

Svenska kraftnät, Fingrid and Statnett, started the project Nordic Balance Settlement (NBS) in autumn 2010 in order to create a common Nordic balance settlement where all Nordic balance providers are subject to the same regulations and compete on equal terms. This reduces the entry barriers for participating in new markets and creates the conditions for increased competition, making the NBS an important part of the Nordic regulating authorities' (NordREG) efforts to develop a Nordic retail market in accordance with the Nordic energy ministers' wishes. The aim has been to establish harmonized principles and locate settlement operations in a joint venture whose main task is to manage the balance settlement in Sweden, Finland and Norway. Operations are planned to start in 2015 and the project has been worked on intensively during the year to make this possible. Procurement of the IT provider for the common settlement system has been completed and a first version of the handbook for market participants, which describes the settlement and related issues, has been published. Furthermore, a common data format has been presented to market participants. In late 2013 Svenska kraftnät, Fingrid and Statnett, formed the joint company eSett Oy. The Company subsequently entered into an agreement with the firm that will design the new settlement system. Future work until the implementation of the common balance settlement will be carried out by the project.

Svenska kraftnät has also participated in the project Regulation Power Market Review. Within the project, the Nordic grid companies conducted a review with the aim of developing a joint regulating power market. The proposed improvements aim at increasing efficiency and development to obtain more bids, and to adapt the regulating power market in line with the upcoming balance network code and prepare for increased exchanges with non-Nordic neighbours.

DEVELOPMENT OF THE ELECTRICITY MARKET IN THE BALTICS

In 2013, efforts to integrate the Baltic and Nordic electricity markets continued. Integration has in part been achieved by the electricity market, with the help of Nord Pool Spot, being extended to the Baltic countries, and by expanding the national grid where it has strategic importance for the European electricity market, such as between Sweden and Lithuania. On 18 April, Svenska kraftnät received the Government's permission to build the cable NordBalt between Sweden and Lithuania. Commissioning will take place at the end of 2015. On 3 June, the Latvian electricity area opened for day-before trading with Nord Pool Spot. With Latvia's market opening, the entire Baltic region has been integrated with the Nordic electricity market. A further step in the integration was taken on 10 December, when even the intra-day market Elbas opened for trading in Latvia and Lithuania.

ELECTRICAL SAFETY

The term electrical safety means in this context the responsibility that Svenska kraftnät has to ensure that people and property are protected from damage caused by electrical current. Maintaining a high level of electrical safety is the overarching goal of Svenska kraftnät and the utility's subsidiaries. The utility works to ensure no serious electrical safety-related incidents or accidents with recurring root causes occur.

During the year, 22 (18) electrical incidents were reported, but none of these have been serious accidents caused by electricity. The good statistics reflect taking responsibility and the high level of electrical skills within Svenska kraftnät and of the contractors carrying out contracts on the utility's behalf.

Close collaboration has been initiated between the functions of health and safety, electrical safety, environment, quality and safety. To avoid gaps in coordination, these areas cooperate closely together. An example of cooperation is the Svenska kraftnät common incident management system adopted in 2013. The scheme is expected, among other things, to improve the quality of reporting of electrical incidents, root cause analysis and statistical data. This will eventually give rise to a positive development in how Svenska kraftnät develops, designs, builds, maintains and monitors its electrical systems so that the risk of accidents is minimized and that the electrical safety of the public residing near Svenska kraftnät facilities is further improved. During the year Svenska kraftnät implemented external audits to assess how well electrical safety is managed in operations. Unplanned electrical safety checks have been carried out at a number of Svenska kraftnät workplaces. The results of these audits and inspections indicate a generally good awareness of electrical safety and electrical safety requirements are followed by utility contractors. The result shows that the need for systematic checks on electrical safety requirements will remain as Svenska kraftnät investment increases.

Svenska kraftnät has implemented periodic electrical safety training of internal staff. The training is conducted at intervals of three years.

Svenska kraftnät has also participated in the ongoing revision process of the industry's joint electrical safety instructions called ESA.

SEVEN-YEAR REVIEW OF THE GROUP

INCOME STATEMENT, MSEK	2013	2012	2011	2010	2009	2008	2007
Operating revenue	**10 111**	9 789	9 282	10 547	6 851	7 717	6 326
Operating expenses excl. depreciation and other operating expenses	**-8 612**	-7 999	-7 965	-9 098	-5 881	- 6 328	-4 941
Depreciation and write down	**-668**	-811	-676	-664	-613	-585	-590
Share of income in associated companies	**19**	23	9	20	31	1 069	69
OPERATING INCOME	**850**	1 002	650	805	388	1 873	864
Financial items	**4**	-64	-42	-22	-7	-67	-127
INCOME FROM FINANCIAL ITEMS	**854**	938	608	783	381	1 806	737
Tax	**-5**	-15	-14	-10	-6	-3	-5
Minority share of income after tax	**1**	27	-13	-4	1	0	1
NET INCOME FOR THE YEAR	**850**	950	581	769	376	1 803	733
BALANCE SHEET, MSEK							
Intangible fixed assets	**328**	306	308	282	284	259	226
Tangible fixed assets	**16 498**	13 568	12 465	10 400	9 782	8 893	8 549
Financial fixed assets	**122**	98	105	96	347	1 528	467
Inventories	**87**	84	86	89	88	89	93
Current receivables	**1 440**	1 666	1 844	1 972	1 023	842	995
Liquid funds	**160**	210	733	370	130	104	51
TOTAL ASSETS	**18 635**	15 932	15 541	13 209	11 654	11 715	10 381
Equity	**8 849**	8 625	8 054	7 971	7 457	8 114	6 787
Minority interests	**–**	34	61	48	44	45	45
Deferred tax	**33**	32	40	38	32	28	24
LONG-TERM LIABILITIES							
Interest bearing	**3 775**	1 854	2 768	1 972	1 835	1 621	1 616
Non-interest bearing	**3 870**	3 272	1 794	936	507	393	420
Provisions	**681**	633	537	478	433	392	361
CURRENT LIABILITIES							
Interest bearing	**–**	–	82	82	82	98	98
Non-interest bearing	**1 427**	1 482	2 205	1 684	1 264	1 024	1 030
TOTAL EQUITY AND LIABILITIES	**18 635**	15 932	15 541	13 209	11 654	11 715	10 381
KEY BUSINESS RATIOS							
Return on adjusted equity after tax [19] (%)	**8.6**	9.5	6.1	8.4	4.3	19.8	8.9
Return on capital employed (%)	**7.6**	9.7	6.5	9.0	4.5	21.6	10.7
Equity/assets ratio (%)	**42.0**	47.0	45.6	53.1	57.2	60.9	58.8
Operating margin (%)	**8.4**	10.2	7.0	7.6	5.7	24.3	13.7
Capital turnover ratio	**0.59**	0.62	0.65	0.85	0.59	0.70	0.62
Debt/equity ratio (%)	**54.8**	30.4	37.4	30.8	33.2	28.1	33.2
Self-financing level (ratio)	**0.4**	0.8	0.6	1.1	0.7	1.6	2.1
Interest coverage ratio [20]	**e/t**	14.8	13.9	14.0	13.3	25.7	6.1
OTHER							
Internally allocated fund (MSEK)	**1 460**	1 680	1 189	1 370	983	1 347	1 373
Net liability (MSEK)	**4 296**	2 277	2 655	2 162	2 220	2 007	2 024
Investments (MSEK)	**3 641**	2 375	2 771	1 276	1 527	963	596
Dividend paid to the Government (MSEK)	**618**	378	499	244	1 172	476	439
Manpower (Quantity)	**461**	422	375	344	317	295	289
Energy supplied to the national grid (TWh)	**119.3**	123.5	113.5	110.3	104.4	115.0	120.5
Energy extracted from the national grid (TWh)	**116.5**	120.0	110.8	108.0	101.7	112.1	117.7
Energy losses (TWh)	**2.8**	3.5	2.7	2.4	2.7	2.9	2.8

[19] Return on equity after standard tax of 22 percent from 2013. Adjusted equity refers to the average of the year's opening and closing restricted equity and 78 percent of non-restricted equity.
[20] When interest costs in 2013 were positive then this ratio is not applicable for 2013.

FINANCIAL REPORTS

FINANCIAL REPORTS

INCOME STATEMENT – THE GROUP (MSEK)

OPERATING REVENUE	NOTE	JAN-DEC 2013	JAN-DEC 2012
- Revenue from electricity transmission	1	**4 387**	4 749
- Revenue from balance and frequency regulation		**4 977**	4 299
- Revenue from power reserve		**138**	153
- Government grants for electricity contingency	2	**202**	201
- Other external revenues	3	**280**	267
NET TURNOVER		**9 984**	9 669
Work performed by the entity	4	**110**	96
Other operating revenue		**17**	24
TOTAL OPERATING REVENUE		**10 111**	9 789
OPERATING EXPENSES			
STAFF COSTS	5	**-432**	-382
- Costs for transmission of electricity	6	**-1 806**	-2 089
- Costs for balance and frequency regulation		**- 5 197**	-4 336
- POWER RESERVE		**-138**	-156
- DISTURBANCE RESERVE		**-83**	-78
- Operation/maintenance expenses		**-419**	-467
- OTHER EXTERNAL EXPENSES	7	**-469**	-470
VARIOUS EXTERNAL EXPENSES		**-8 112**	-7 596
Depreciation and write down of tangible and intangible fixed assets	13,14	**-668**	-811
Other operating expenses		**-68**	-21
TOTAL OPERATING EXPENSES		**-9 280**	-8 810
Share of income in associated companies	8	**19**	23
OPERATING INCOME		**850**	1 002
INCOME FROM FINANCIAL INVESTMENTS			
Income from other securities and receivables that are fixed assets	9	**-1**	0
Other interest income and similar income items	10	**2**	2
Interest expenses and similar items	11	**3**	-66
INCOME FROM FINANCIAL ITEMS		**854**	938
Tax on income for the year	**12**	**-3**	-11
Deferred tax		**-2**	-4
Minority share of income after tax		**1**	27
NET INCOME		**850**	950

INCOME STATEMENT PER BUSINESS SEGMENT (MSEK)

OPERATING REVENUE	Transmission of Electricity on the National grid	System Operator electricity	Telecom	Chargeable activities	Electricity contingency	System-operator gas	Associated companies	Total
- Revenue from electricity transmission	4 387	**0**	0	0	0	0		4387
- Revenue from balance and Frequency regulation	66	**4 911**	0	0	0	0		4 977
- Power reserve revenue	0	**138**	0	0	0	0		138
- Govt. Grants for electricity contingency	0	**0**	0	0	202	0		202
- Other external revenue	155	**12**	69	13	0	31		280
NET TURNOVER	4 608	**5 061**	69	13	202	31		9 984
Activated own work	110	**0**	0	0	0	0		110
Other operating revenues	6	**5**	6	0	0	0		17
TOTAL OPERATING REVENUES	**4 724**	**5 066**	75	13	202	31		10 111
OPERATING EXPENSES								
STAFF COSTS	-391	**-25**	-3	-2	-10	-1		-432
- Cost for electricity transmission	-1 806	**0**	0	0	0	0		-1 806
- Cost for balance and Frequency regulation	-236	**-4 961**	0	0	0	0		-5 197
- Power reserve	0	**-138**	0	0	0	0		-138
- Disturbance reserve	-41	**-42**	0	0	0	0		-83
- Operating and maintenance	-382	**-17**	-20	0	0	0		-419
- Other external expenses	-179	**-53**	-7	-9	-192	-29		-469
VARIOUS EXTERNAL EXPENSES	-2 644	**-5 211**	-27	-9	-192	-29		-8 112
Depreciation and write down of Tangible/intangible Fixed assets	-600	**-19**	-47	-2	0	0		-668
Other operational expenses	-60	**-3**	-1	-4	0	0		-68
TOTAL OPERATIONAL EXPENSES	-3 695	**-5 258**	-78	-17	-202	-30		-9 280
Internal revenues	18	**0**	50	0	0	0		68
Internal expenses	-50	**0**	-17	-1	0	0		-68
TOTAL INTERNAL POSTS	**-32**	0	33	-1	0	0		0
Associated companies							19	19
OPERATING INCOME	997	**-192**	30	-5	0	1	19	850

COMMENTS ON THE INCOME STATEMENT

OPERATING REVENUE

Operating revenue increased during 2013 and amounted to SEK 10,111 (9,789) million, an increase of SEK 322 million. The increase is mainly attributable to the business segment System Operator for Electricity. The business segment Transmission of Electricity on the Grid had lower income compared with last year.

The Group's revenue for balance and frequency regulation increased and amounted to SEK 4,977 (4,299) million, which was primarily due to increased sales of balance power and to a lesser extent, to increased charges.

Revenues for the transmission of electricity decreased to SEK 4,387 (4,749) million, where the decline was mainly due to reduced usage fees, reduced supply of electricity to the national grid from the water production in northern Sweden and reduced consumption. Capacity charges increased due to a higher fee and associated revenue from temporary subscriptions.

The Group had SEK 210 million less revenue than the previous year by reason of the liquidation of SwePol Link in 2012.

OPERATING PROFIT

Operating profit amounted to SEK 850 million, which is SEK 152 million lower than 2012. Operating profit includes external revenues and costs, the profit from associated companies and the Group's depreciations and write downs.

Operating expenses amounted to SEK 9,280 (8,810) million. Some of the types of expenses affect both business segments Transmission of Electricity on the Grid and System Operator for Electricity. Expenses that cannot be directly attributed are allocated on a standard basis between the two business segments. Transmission of Electricity on the Grid is the dominant results driven business segment within Svenska kraftnät operations. Net operating income for the business segment was SEK 997 (1,066) million. Compared with previous years both the input and consumption of electricity decreased. When the lower revenues from usage fees SEK 1,870 (2,145) million are met by lower costs for loss electricity, SEK 1,200 (1,514) million, they do not have any major impact on operating profit compared with last year. The lower result for the business segment was mainly due to increased costs for primary regulation and higher costs for transit.

Operating profit for the business segment System Operator for Electricity amounted to SEK -192 (-96) million. Turnover for balance and frequency regulation reflects the level of electricity prices during the year, thereby showing in gross terms a large deviation from the previous year. In 2013, both the volume and average price of purchased and sold balance power increased. The decrease in operating profit is due to higher costs for primary control in combination with low surpluses from the fees.

The business segment Telecommunication's operating profit amounted to SEK 30 million (6). During the year a number of radio masts were sold which yielded a profit. Last year's low performance was due to adjustments for previous years.

Operating profit for System Operator for Gas amounted to SEK 1 (1) million.

During the year the business segment Electricity Contingency utilized SEK 202 (201) million of the appropriation for electricity contingency, which was funded by grants.

Operating profit for the business segment Chargeable Activities amounted to SEK 5 million (2). The decrease was primarily due to the scrapping of IT systems.

Svenska kraftnät remains in a recruitment phase and 31 (52) new full-time jobs have been added since December 2012. Personnel costs increased by SEK 50 million from SEK 382 million 2012 to SEK 432 million in 2013.

In 2013, the cost of loss electricity declined by SEK 314 million from SEK 1,514 million in 2012 to SEK 1,200 million.

Depreciation on fixed assets decreased by SEK 48 million to SEK 668 million. This was because of the sale of 50 percent of the overseas connection SwePol Link in August 2012, and was despite higher depreciation due to the high rate of investment.

The Svenska kraftnät Board has decided not to build the western branch to Norway in the project SydVästlänken. Since the investments have already been made in the project, the decision had a negative impact of SEK 55 million.

The Group's profit was affected last year by SEK 95 million in write downs of which SEK 83 million relates to the write down of fixed assets attributable to the overseas connection SwePol Link.

Profit from associated companies amounted to SEK 19 (23) million, which is SEK 4 million less than last year. SEK 5 million (9) of the result is explained by the issue of Nord Pool Spot in response to new partners.

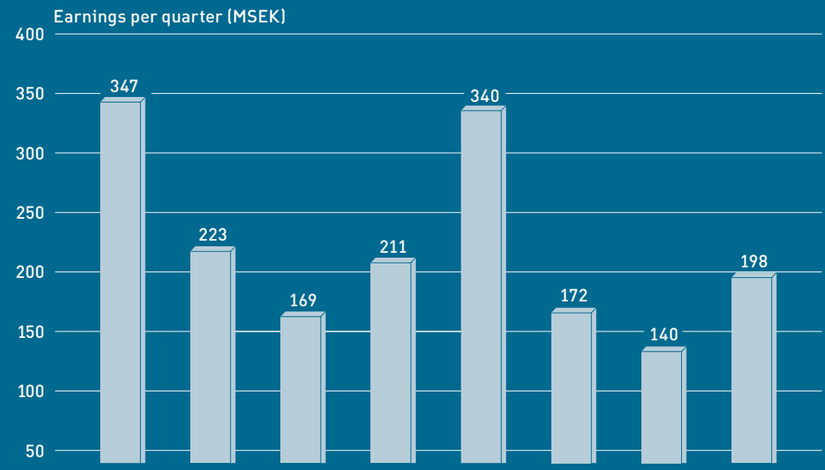
The Group's operating margin was 8.4 (10.2) percent, which is 1.8 percentage points lower than last year.

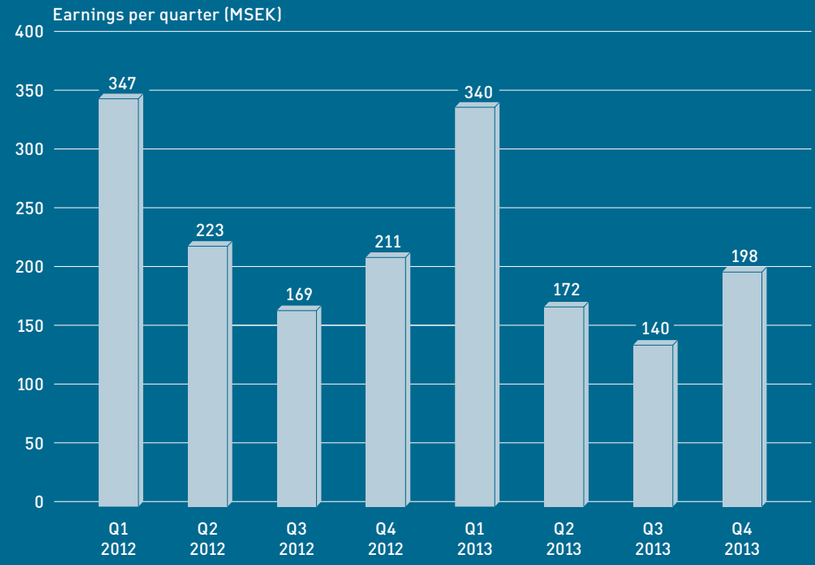
NET FINANCING

The Group's net financial items amounted to SEK 4 (-64) million, an increase of SEK 68 million compared with last year. Interest income for the Group amounted to SEK 2 million (2). The improvement in net financial items is partly loan redemption in connection with the sale of 50 percent of the overseas connection SwePol Link in August 2012. Interest expenses last year included a provision of SEK 53 million for indexing Svenska kraftnät's pension under the safeguarding rules adopted by the Swedish Pensions Board. This year's index was SEK 1 million.

NET INCOME FOR THE YEAR

Net income for the year amounted to SEK 850 (950) million, which is SEK 100 million lower than 2012. The result means a return on adjusted equity of 8.6 percent (9.5). According to the letter of governance for 2013, the target is to achieve an average return on adjusted equity of 6%. The net profit margin with a deduction for standard tax was 6.6 (7.1) %





BALANCE SHEET –THE GROUP (MSEK)

ASSETS	NOTE	31-12-2013	31-12-2012
FIXED ASSETS			
INTANGIBLE FIXED ASSETS	13		
Capitalized expenditure for computer programs		**67**	96
Land rights		**55**	56
Rights of use		**23**	82
Construction work in progress		**183**	126
		328	306
TANGIBLE FIXED ASSETS	14		
Buildings and land		**419**	383
Machinery and other technical fixed assets		**9 750**	9 639
Construction work in progress		**6 329**	3 546
		16 498	13 568
FINANCIAL FIXED ASSETS			
Shares and participations in associated companies	16	**121**	95
Long-term receivables		**1**	1
Deferred tax		**–**	2
		122	98
TOTAL FIXED ASSETS		**16 948**	13 972
CURRENT ASSETS			
INVENTORIES			
Raw material inventories		**87**	84
OTHER CURRENT RECEIVABLES			
Accounts receivable		**561**	655
Receivables from associated companies		**11**	29
Other receivables	18	**135**	32
Receivables from the public utility's cheque account	19	**64**	3
Prepaid expenses and accrued income	20	**669**	947
		1 440	1 666
CURRENT INVESTMENTS			
Cash and bank balances		**160**	210
TOTAL CURRENT ASSETS		**1 688**	1 960
TOTAL ASSETS		**18 635**	15 932
CONTINGENT ASSETS	27		

EQUITY AND LIABILITIES	NOTE	31-12-2013	31-12-2012
EQUITY			
RESTRICTED EQUITY			
Government capital		**600**	600
capital Other restricted equity		**3 626**	3 603
		4 226	4 203
CAPITAL UNRESTRICTED EQUITY			
retained profit/loss		**3 773**	3 472
Net income for the year		**850**	950
		4 623	4 422
TOTAL EQUITY		**8 849**	8 625
MINORITY INTERESTS		**–**	34
DEFERRED TAX LIABILITY	24	**33**	32
PROVISIONS			
Provisions for pensions and similar obligations	23	**681**	633
Other provisions		**–**	0
		681	633
LONG-TERM LIABILITIES			
Interest-bearing liabilities	21	**3 775**	1 854
NON INTEREST-BEARING LIABILITIES	22	**3 870**	3 277
		7 645	5 131
CURRENT LIABILITIES			
Accounts payable		**761**	626
Tax liabilities		**0**	12
OTHER LIABILITIES	25	**43**	31
Accrued expenses and prepaid income	26	**623**	808
		1 427	1 477
TOTAL EQUITY AND LIABILITIES		**18 635**	15 932
PLEDGED SECURITIES		**None**	**None**
CONTINGENT LIABILITIES	27, 28		

COMMENTS ON THE BALANCE SHEET

BALANCE SHEET TOTAL
The Group's balance sheet total amounted to SEK 18,635 (15,932) million, an increase of SEK 2,703 million mainly due to an increase in construction in progress.

FIXED ASSETS
Svenska kraftnät's intangible assets consist of land rights, rights of use for fibre-optic cables, licenses and capitalized expenditure for computer programs. The book value amounted to SEK 328 (306) million. Investments in computer programs, mainly a new operational monitoring system, amounted to SEK 60 (40) million. Depreciation on intangible fixed assets for the year amounted to SEK 35 (42) million. The tangible fixed assets mainly consist of power lines, stations, buildings and land, fibre optic connections and other technical equipment and construction in progress. The tangible asset value amounted to

SEK 16,498 (13,568) million, which is an increase of SEK 2,930 million. Capital expenditure during the year was SEK 3,582 (2,335) million and depreciation SEK 633 (674) million. In addition, write-downs amounted to SEK - (95) million. The remaining assets consist of investments in associate companies, long-term receivables and tax receivables. Shares in associated companies amounted to SEK 121 (95) million. During the year, the parent entity received 4 (18) million in dividends from Nord Pool Spot AS and the results of associated companies amounted to SEK 19 million (23).

INVENTORIES
Inventories amounted to SEK 87 (84) million and include fuel for gas turbines in the subsidiary Svenska Kraftnät Gasturbiner AB. Last year the stock of natural gas was also included.

CURRENT ASSETS
Current assets amounted to SEK 1,688 (1,960) million, of which cash and cash equivalents amounted to SEK 160 (210) million. The decrease mainly relates to accrued revenues for balance power which invoiced during the period and hence a provision has not been necessary.

EQUITY
The equity of the Group at year-end amounted to SEK 8,849 (8,625) excluding minority interests. During the year, SEK 618 (378) million has been distributed to the State. Consolidated net income amounted to SEK 850 (950) million.

LONG-TERM LIABILITIES
The Group's long-term liabilities consist of the parent entity's loan parameter with the National Debt Office of SEK 3,775 (1,854) million. The increase of SEK 1,921 million is due primarily to increased investment in combination with a lower influx of capacity charges compared with the previous year. The average rate on the Group's loans in 2013 was 0.78 percent (1.6).

Non-interest-bearing long-term liabilities that consist of contributions from landowners, investment grants from stakeholders, cumulative capacity charges, advances from customers in within the fibre optic operation and other customers amounted to SEK 3,870 (3,277) million. The change is due to an increase in capitalized investment grants and capacity fees.

Net liabilities increased by SEK 2,019 million to SEK 4,296 (2,277) million. This affected the debt/equity ratio which rose to 54.8 (30.4) percent. The primary reason is, as stated above, increased investments and a lower inflow of capacity charges, which meant higher borrowing. The appropriation for 2013 stated that Svenska kraftnät may have a debt ratio of no more than 110 percent.

CURRENT LIABILITIES
Accounts payable increased from SEK 626 million in 2012 to SEK 761million in 2013 while accrued expenses and deferred income decreased from SEK 808 million in 2012 to SEK 623 million in 2013.

CASH FLOW STATEMENT – THE GROUP (MSEK)

OPERATING	JAN-DEC 2013	JAN - DEC 2012
Operating profit before depreciation	**1 487**	1 732
Financial revenue and expenses	**-22**	-51
Dividends received	**4**	18
Tax payments	**-9**	-1
CASH FLOW BEFORE CHANGES IN WORKING CAPITAL AND INVESTMENTS	**1 460**	1 698
Change in inventory	**-3**	2
Change in current receivables	**162**	209
Change in current liabilities	**77**	-368
CASH FLOW BEFORE INVESTMENTS	**1 696**	1 541
INVESTMENTS		
Investments in intangible assets	**-60**	-40
Investments in tangible assets	**-3 739**	-2 635
Investments in financial assets	**-18**	-1
Sale of plants	**19**	472
Net investments in operations	**-3 798**	-2 204
CASH FLOW AFTER INVESTMENTS	**-2 102**	-663
FINANCING		
Change in interest-bearing loans	**1 920**	-996
Change in other long-term liabilities	**750**	1 514
Dividends paid	**-618**	-378
Financing	**2 052**	140
LIQUIDITY CHANGES		
Liquid assets including current investments at beginning of year	**210**	733
Ditto at end of period	**160**	210
Change in liquid assets	**-50**	-523

COMMENTS ON THE CASH FLOW STATEMENT

The cash flow statement is intended to describe Svenska kraftnät Group's ability to generate liquid assets and is a supplement to the income statement and balance sheet's description of profitability and financial position. Liquid assets refer to cash and bank balances.

THE YEAR'S ACTIVITIES
Cash flow from the year's activities before changes in working capital decreased by SEK 238 million over the previous year and amounted to SEK 1,460 (1,698) million. The decrease is primarily attributable to the lower operating profit. Cash flow from the year's activities increased by SEK 155 million over the previous year and amounted to SEK 1,696 (1,541) million. The increase is primarily due to the positive change in accounts payable compared with a negative change in 2012.

INVESTMENT ACTIVITIES
The Group's investments increased during the year and amounted to SEK 3,642 (2,375) million, of which cash investments amounted to SEK 3,799 (2,675) million. Investments affecting cash flow amounted to SEK 3,797 (2,672) million in the parent entity and SEK 2 m (3) in Svenska Kraftnät Gasturbiner AB.

FINANCING ACTIVITIES
The Group's interest-bearing liabilities increased by SEK 1,920 million compared with a fall in 2012 of SEK 996 million, as subsidiary SwePol Link reduced interest-bearing liabilities by SEK 719 million. Net borrowings increased mainly due to higher investments combined with a lower inflow of capacity fees. Other long-term liabilities increased by SEK 750 (1,514) million, primarily due to increased deposition of resultant capacity fees and external investment grants. SEK 618 (378) million was distributed to the State.

Cash flow amounted to SEK -50 million, compared with SEK -523 million in 2012.

CHANGE IN EQUITY – THE GROUP (MSEK)

	State capital	capital Other restricted capital	Retained profit / loss incl. profit for the year	Total equity
OPENING BALANCE2012	**600**	**3 574**	**3 880**	**8 054**
Dividend	–	–	-378	-378
Currency translation adjustment	–	–	-1	-1
Offset restricted/non-restricted capital		29	-29	0
Net income	–	–	950	950
CLOSING BALANCE 2012	**600**	**3 603**	**4 422**	**8 625**
OPENING BALANCE 2013	**600**	**3 603**	**4 422**	**8 625**
Dividend	–	–	-618	-618
Currency translation adjustment	–	–	-8	-8
Offset restricted/non-restricted capital		23	-23	0
Net income	–	–	850	850
CLOSING BALANCE 2013	**600**	**3 626**	**4 623**	**8 849**

Group equity amounted to SEK 8,849 (8,625) million, of which restricted equity amounted to SEK 4,226 (4,203) million. The appropriation of profits proposed in the Annual Report 2012 was adopted by the Government.

INCOME STATEMENT – PARENT ENTITY (MSEK)

OPERATING REVENUE	**NOTE**	**JAN-DEC 2013**	**JAN-DEC 2012**
- Revenue from electricity transmission	1	**4 397**	4 549
- Revenue from balance and frequency regulation		**4 978**	4 302
- Revenue from power reserve		**138**	153
- Government grants for electricity contingency	2	**202**	201
- Other external revenue	3	**276**	264
NET REVENUE		**9 991**	9 469
Capitalized own work	4	**110**	96
Other operating revenue		**17**	12
TOTAL OPERATING REVENUE		**10 118**	9 577
OPERATING EXPENSES			
STAFF COSTS	5	**-432**	-381
- Cost for electricity transmission	6	**-1 806**	-2 061
- Cost for balance and frequency regulation		**-5 202**	-4 342
- POWER RESERVE		**-138**	-156
- Disturbance reserve		**-131**	-126
- Operation and maintenance expenses		**-395**	-417
-Other external expenses	7	**-485**	-467
VARIOUS EXTERNAL EXPENSES		**- 8 157**	7 569
Depreciation and write down of tangible and intangible assets	13,14	**-649**	-607
Other operating expenses		**-68**	-34
TOTAL OPERATING EXPENSES		**-9 306**	-8 591
OPERATING INCOME		**812**	986
INCOME FROM FINANCIAL INVESTMENTS			
Income from securities and receivables that are fixed assets	9	**36**	21
Other interest income and similar items	10	**1**	1
Interest expenses and similar items	11	**4**	-57
INCOME AFTER FINANCIAL ITEMS		**853**	951
INCOME FOR THE YEAR		**853**	951

PARENT COMPANY PARENT ENTITY SVENSKA KRAFTNÄT

Operating revenue amounted to SEK 10,118 (9,577) million, of which SEK 13 (17) million related to sales to Group companies. Profit after financial items was SEK 853 (951) million.

The parent entity's investments in tangible and intangible assets amounted to SEK 3,640 (2,879) million. Liquid assets on 31 December 2013 amounted to SEK 150 million (140). The parent entity finances its operations with equity and loans from the Debt Office. Borrowings at year-end were SEK 3,775 (1,854) million and equity to SEK 8,638 (8,403) million.

In 2013, the parent entity received co-funding of a number of investment projects and used resulting capacity fees to finance investments that are designed to enhance or maintain the transmission capacity of electricity in the national grid.

BALANCE SHEET – PARENT ENTITY (MSEK)

ASSETS

FIXED ASSETS	NOTE	31-12-2013	31-12-2012
INTANGIBLE FIXED ASSETS	13		
Capitalized expenditure on computer programs		**67**	96
Land rights		**55**	56
Rights of use		**23**	28
Construction in progress		**183**	126
		328	306
TANGIBLE FIXED ASSETS	14		
Buildings and land		**407**	370
Machines and inventories		**9 582**	9 454
Construction in progress		**6 327**	3 546
		16 316	13 370
FINANCIAL FIXED ASSETS			
Shares in Group companies	15	**9**	12
Receivables from Group companies	17	**66**	88
Shares in associated companies	16	**65**	47
		140	147
TOTAL FIXED ASSETS		**16 784**	13 823
CURRENT ASSETS			
INVENTORIES			
Inventories in raw materials		**–**	2
CURRENT RECEIVABLES			
Accounts receivable		**561**	638
Receivables from Group companies		**21**	22
Receivables from associated companies		**11**	29
Other receivables	18	**135**	31
Settlement with the Government	19	**64**	3
Prepaid expenses and accrued income	20	**669**	947
		1 461	1 670
CURRENT INVESTMENTS			
Cash and bank balances		**150**	140
TOTAL ASSETS		**18 395**	15 635
CONTINGENT ASSETS	27		

BALANCE SHEET – PARENT ENTITY (MSEK)

EQUITY AND LIABILITIES

EQUITY	NOTE	31-12-2013	31-12-2012
RESTRICTED EQUITY			
State capital		**600**	600
Other restricted equity		**3 314**	3 314
		3 914	3 914
NON RESTRICTED EQUITY			
Retained profit/loss		**3 871**	3 538
Net income		**853**	951
		4 724	4 489
TOTAL EQUITY		**8 638**	8 403
PROVISIONS			
Provisions for pensions and similar obligations	23	**681**	633
TOTAL PROVISIONS		**681**	633
LONG-TERM LIABILITIES			
Interest bearing long-term liabilities	21	**3 775**	1 854
Non interest bearing long-term liabilities	22	**3 870**	3 278
		7 645	5 132
CURRENT LIABILITIES			
Accounts payable		**759**	623
Liabilities to Group companies		**8**	8
Other liabilities	25	**43**	29
Accrued expenses and deferred income	26	**621**	807
		1 431	1 467
TOTAL LIABILITIES		**9 076**	6 599
TOTAL EQUITY AND LIABILITIES		**18 395**	15 635
PLEDGED ASSETS		**NONE**	NONE
CONTINGENT LIABILITIES	27, 28		

CASH FLOW STATEMENT – PARENT ENTITY (MSEK)

OPERATING	JAN-DEC 2013	JAN - DEC 2012
Operating profit before depreciation	1 448	1 554
Financial income and expenses	-21	-26
Dividends received	4	18
CASH FLOW BEFORE CHANGES IN WORKING CAPITAL AND INVESTMENTS	1 431	1 546
Changes in inventories	2	0
Changes in current receivables	145	158
Changes in current liabilities	82	-308
CASH FLOW BEFORE INVESTMENTS	1 660	1 396
INVESTMENTS		
Changes in long-term receivables	22	33
Changes in other financial assets	33	–
Investment in intangible assets	-60	-40
Investments in tangible assets	-3 737	-3 139
Investments in financial assets	-18	–
Sales of plants	19	–
Net investment in operations	-3 741	-3 146
CASH FLOW AFTER INVESTMENTS	-2 081	-1 750
FINANCING		
Change in interest-bearing loans	1 920	-276
Changes in other long-term liabilities	789	1 844
Dividends paid	-618	-378
Financing	2 091	1 190
LIQUIDITY CHANGES		
Liquid assets including current investments at beginning of year	140	700
Ditto at end of period	150	140
Change in liquid assets	10	-560

CHANGES IN EQUITY – PARENT ENTITY (MSEK)

	State capital	Other restricted capital	Retained profit / loss incl. profit for the year	capital Total equity
OPENING BALANCE 2012	600	3 314	3 916	7 830
Dividend	–	–	-378	-378
Net income	–	–	951	951
CLOSING BALANCE 2012	600	3 314	4 489	8 403
OPENING BALANCE 2013	600	3 314	4 489	8 403
Dividend	–	–	-618	-618
Net income	–	–	853	853
CLOSING BALANCE 2013	600	3 314	4 724	8 638

Of which restricted equity amounted to SEK 3,914 (3,914) million. The dividend paid is reported against the income title below:

INCOME TITLE, SEK (THOUSAND)	AMOUNT TO SUPPLY	SUPPLIED AMOUNT
2116 parent entity's supplied dividend and receipt of the equivalent of State tax	618 000	618 000

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.

The format for the balance sheet and income statement have been adjusted during the year to conform with applicable regulations for public utilities and enterprises under Regulation (2000:605) on annual accounts and budget. Comparative figures for previous years are adjusted.

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.

GROUP ACCOUNTING PRINCIPLES

THE EXTENT OF THE GROUP

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

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

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
In preparing the consolidated accounts, untaxed reserves and appropriations in the subsidiary, deferred tax and restricted equity are divided. The deferred tax liability is calculated at the current tax rate.

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 usage 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 usage fees are 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.

System operator revenue for electricity
Revenue consists primarily of sold balance power. If customers collectively purchased balance power during the settlement period then this is reported as balance power revenue for Svenska kraftnät. If the customers instead collectively sold balance power this is reported as a balance power cost.

Other income consists of sold natural gas, the use of the IT system Ediel and revenue to cover the cost of the power reserve.

Revenues from capacity charges
Revenues from capacity charges refer to compensation resulting from capacity charges to cover this year's costs for counter trading and revenues from capitalized capacity charges. Revenue from the capitalized capacity charges is deducted with the same frequency as the depreciation of the investment projects that the capacity charges have made contributions to. How resultant capacity charges may be regulated is in the European Parliament and Council's Regulation (EC) 714/2009.

Other operating revenue is recognized as revenue when the service is provided.

SEGMENT ACCOUNTING OR BUSINESS SEGMENTS
The Svenska kraftnät Group's primary segments are business segments. The Group's operations in 2013 are divided into six business segments. A business segment is a unit identifiable within Svenska kraftnät's accounts that is distinguished from other business segments on the basis of the risks and opportunities involved in each assignment.

INTEREST INCOME
Interest income is reported concurrently as it is accrued. 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. Unsecured liabilities are entered after individual assessment at the amount that is estimated will be paid.

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

LIQUID FUNDS
Liquid funds comprise of bank balances.

DERIVATIVE INSTRUMENTS
The parent entity uses derivative instruments to secure financial risks, primarily risks associated with the electricity price and currency exposure.

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 programs 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 and associated lines	3.3
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 inventory	33.3

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

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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% 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 2013 or 2014 rate could be used in calculating the 2013 pension liability. The difference between them is, briefly, that the 2014 basis for calculation is based on a higher yield assumption (.5% instead of .4%). Svenska kraftnät reports the liability according to the 2014 basis. The part of the change in pension provision that is a result of the change to the 2014 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 primarily against counter trading costs during the financial year. Retained capacity charges are reclassified as long-term liabilities and can be utilized for investment grants/co-financing for investments that maintain or increase the capacity to transmit electricity on the national grid.

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

BORROWING

Borrowing is reported at a nominal amount.

SHARES AND PARTICIPATIONS IN GROUP COMPANIES

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

SUPERVISORY AUTHORITY

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

NOTE 1. REVENUE FROM ELECTRICITY TRANSMISSION

	THE GROUP		PARENT ENTITY	
MSEK	**2013**	2012	**2013**	2012
Power revenue	**2 350**	2 445	**2 360**	2 245
Energy revenue	**1 870**	2 145	**1 870**	2 145
Transit revenue	**167**	159	**167**	159
TOTAL	**4 387**	4 749	**4 397**	4 549

SEK 210 million is included in 2012 pertaining SwePol Link's external revenues which are no longer reported as a separate item.

NOTE 2. GOVERNMENT GRANT FOR ELECTRICITY CONTINGENCY PLANNING

GRANT ACCOUNTS FOR THE PARENT ENTITY:

GRANT	**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 Electricity contingency					
Grant item 1, Electricity contingency	83 203	255 000	338 203	-201 674	136 528
TOTAL	**83 203**	**255 000**	**338 203**	**-201 674**	**136 528**

The deviation of more than 10 percent from this year's allocation is due, among other things, to:
> Planned projects have been pushed back to 2014
> Security-enhancing measures have not been able to be implemented to the planned extent
> Power reserve installations could not be implemented to the planned extent
> Island operations measures could not be implemented to the planned extent

TERMS OF THE GRANT ACCORDING TO THE APPROPRIATION (MSEK)	**HIGHEST AMOUNT**	**OUTCOME**
Administrative costs in operations	24	15

During the year SEK 202 (201) million funds have been spent and used mainly for compensation of contingency reserves SEK 65 million, exercises and training SEK 15 million, the introduction of Rakel in the power supply SEK 9 million, measures for island operation SEK 11 million, security measures SEK 16 million, dam safety SEK 10 million, management/administration SEK 15 million, installation of a reserve plant SEK 8 million, development, operation and maintenance of reporting and location tracking system Susie SEK 7 million, completion of strategic readiness materiel, and operation and maintenance of contingency supplies SEK 36 million. SEK 106 million of the funds spent during the year have been passed on. Grants also have a framework for authorization, such as civil legally binding commitments which entail future spending. These are shown in the table below.

EXPENSE AREA 21 – ENERGY 1:11 Electricity contingency	**Allocated framework for outstanding undertakings**	**Opening undertakings**	**Outstanding undertakings**	**Distribution per year**		
				2014	**2015**	**2016-**
Grant item 1, Electricity contingency	300 000	283 059	252 730	129 648	72 918	50 164*

* Of which SEK 3,150 thousand relates to 2017

NOTE 3. OTHER EXTERNAL REVENUE

	THE GROUP		PARENT ENTITY	
MSEK	**2013**	2012	**2013**	2012
Revenue from activated capacity charges	**99**	55	**99**	55
Revenue from capacity charges (counter trading)	**22**	26	**22**	26
Revenue from activated investment grants	**15**	3	**15**	3
Telecommunications revenue	**69**	56	**69**	56
System revenue – natural gas	**31**	50	**31**	50
Revenue from chargeable activities	**13**	11	**13**	11
EDIEL-revenue	**6**	7	**6**	7
Other revenue	**25**	59	**21**	56
TOTAL	**280**	267	**276**	264

NOTE 4. CAPITALIZED WORK FOR OWN ACCOUNT

THE GROUP AND PARENT ENTITY (MSEK)	**2013**	**2012**
Construction work in progress	**89**	79
Capitalized development of computer programs	**21**	17
TOTAL	**110**	96

This item concerns staff costs for Svenska kraftnät's own personnel that are capitalised against investment projects. Investment projects refer to both construction work in progress and capitalised IT development projects.

NOTE 5. STAFF COSTS

The Group's staff costs amounted to SEK 432 (382) million, of which payroll costs amounted to SEK 255 (227) million. In addition, pension costs amounted to SEK 59 (53) million and social security contributions SEK 95 (83) million.

The parent entity's staff costs amounted to SEK 432 (381) million, of which salaries amounted to SEK 225 (225) million. In addition, pension costs amounted to SEK 59 (53) million and social security costs SEK 95 (83) million.

The number of employees in the Group was 461 (422), of whom 461 (420) were in the parent entity and - (2) in Poland in the SwePol Link Group

On 31 December, the Group had 478 (449) permanent employees, of which 478 (449) were in the parent entity. The average number of employees during the year was 481 (444) of whom 481 (442) were in the parent entity and - (2) in Poland in SwePol Link Group.

The distribution between men and women is shown below. In Poland up until October 2012, there was a man and a woman employed.

EMPLOYEES	**THE GROUP**		**PARENT ENTITY**	
No.	**2013**	2012	**2013**	2012
Women	**167**	149	**167**	148
Men	**314**	295	**314**	294
TOTAL	**481**	444	**481**	442

THE BOARD, NO.	**2013**	**2012**
Women	**2**	**3**
Men	**7**	**6**
TOTAL	**9**	**9**

The Director General's salary amounted to SEK 1.3 (1.3) million and pension costs amounted to SEK 0.9 (0.6) million, according to estimates from the National Pensions Board. The Deputy Director General's salary amounted to SEK 1.2 (1.1) million and pension costs SEK 1.5 (0.8) million.

Remuneration (in SEK) to the Board etc. is shown in the table below.

BOARD MEMBER	POSITION	BORN	APPOINTED	ASSIGNMENTS AS BOARD OR COUNCIL MEMBER IN OTHER GOVERNMENT AUTHORITIES	BOARD MEMBER IN LIMITED COMPANY	SALARY
Bo Källstrand	Chair. County Governor in Västernorrlands County	1949	2009	Sjunde AP-fonden, The National Government Employee Pensions Board		83 004
Anna-Stina Nordmark-Nilsson	Vice Chair. Advisor and consultant in own company, Regina AB.	1956	2004		Sveaskog AB (publ), Sveaskog Förvaltnings AB, Softronic AB (publ), Dedicare AB (publ)	69 000
Mikael Odenberg	Director General	1953	2008	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[21]	CEO and partner, Trinovo Sensa AB	1954	2001			14 001
Karin Stierna	Municipal Commissioner, Strömsund municipality	1970	2007			56 004
Björn Carlsson	CEO Ackkärrs Bruk. Consultant in Investment Banking	1952	2010			56 004
Bo Normark		1947	2010	Vice Chair of the Coordination Council for the smart grid, member of the Energy Development Board at the Swedish Energy Agency		56 004
Bo Netz	Director General, Sida	1962	2013	Swedish Arts Council	AB Trav och Galopp	30 764
Oskar Engblom	SACO Staff representative	1981	2013			
Stefan Ekberg	ST Staff representative	1956	2012			
TOTAL						**364 781**

[21] Christer Samuelsson resigned from the Board in 2013.

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

Remuneration to members of Electricity Contingency Planning Council in 2013 amounted to (SEK):

ELECTRICITY CONTINGENCY PLANNING COUNCIL	REMUNERATION
Kai Barwéll	2 925
Lena Hovmark	2 925
Lars Joelsson	2 925
Daniel Jonsson	1 950
Rémy Kolessar	2 925
Ove Landberg	2 925
Jan Mörtberg	2 925
Cecilia Nyström	2 925
Anders Richert	1 950
Mikael Toll	2 925
TOTAL	**27 300**

In 2013 remuneration for the members of the Dam Safety Council amounted to (SEK):

DAM SAFETY COUNCIL	REMUNERATION
Henrik Löv	36 000

In 2013 remuneration for the members of the Telecommunications Interference Board amounted to (SEK):

TELESTÖRNINGSNÄMNDEN	REMUNERATION
Alf Andersson	32 000

SEK 39,800 has been paid of the above amount in 2014.

NOTE 6. COSTS FOR THE TRANSMISSION OF ELECTRICITY

	THE GROUP		PARENT ENTITY	
MSEK	**2013**	2012	**2013**	2012
Purchase of loss electricity	**1 200**	1 514	**1 200**	1 486
Energy crediting	**502**	520	**502**	520
Transit costs	**104**	55	**104**	55
TOTAL	**1 806**	2 089	**1 806**	2 061

NOTE 7. OTHER EXTERNAL EXPENSES

	THE GROUP		PARENT ENTITY	
MSEK	**2013**	2012	**2013**	2012
Counter trading for the grid	**22**	26	**22**	26
R and D measures	**20**	20	**20**	20
Electricity contingency measures	**162**	158	**186**	182
Natural gas, purchase and operational expenses	**28**	45	**28**	45
Other external expenses	**237**	221	**229**	194
TOTAL	**469**	470	**485**	467

NOTE 8. SHARE OF INCOME FROM ASSOCIATED COMPANIES

THE GROUP (MSEK)	2013	2012
Nord Pool Spot AS	**16**	21
STRI AB	**2**	1
Kraftdragarna AB	**1**	1
Other	**0**	0
TOTAL	**19**	23

»NET INCOME FOR THE YEAR AMOUNTED TO SEK 850 MILLION«

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

	THE GROUP		PARENT ENTITY	
MSEK	2013	2012	2013	2012
Income from liquidation of subsidiaries	-1	0	30	0
Dividends on shares and participations in associated companies	–	–	4	18
Interest income on long-term receivables in subsidiaries	–	–	2	3
TOTAL	-1	0	36	21

NOTE 10. OTHER INTEREST INCOME AND SIMILAR INCOME ITEMS

	THE GROUP		PARENT ENTITY	
MSEK	2013	2012	2013	2012
Interest income from bank deposits	1	1	0	0
Other interest income	1	1	1	1
TOTAL	2	2	1	1

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

NOTE 11. INTEREST EXPENSES AND SIMILAR EXPENSE ITEMS

	THE GROUP		PARENT ENTITY	
MSEK	2013	2012	2013	2012
Interest expenses, pension	4	58	4	58
Interest expenses, long-term loans	3	13	–	–
Interest expenses, National Debt Office	22	24	22	24
Interest expenses, current liabilities	1	1	1	1
Interest expenses, currency futures	9	11	8	11
Capitalized interest construction	-39	-38	-39	-38
Exchange rate differences	0	-3	9	–
TOTAL	-3	66	-4	57

NOTE 12. TAX ON INCOME FOR THE YEAR

THE GROUP (MSEK)	2013	2012
Current tax	-3	-11
Deferred tax	-2	-4
TOTAL	-5	-15

Since the majority of the Group's income before tax is earned in the parent entity, which is exempt from income tax, no report is made of the relationship between the tax expense and reported income before tax of the Group.

NOTE 13. INTANGIBLE FIXED ASSETS

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

THE GROUP AND PARENT ENTITY (MSEK)	Capitalized expenditure for computer programs	Land rights	Rights of use for fibre optics	Construction work in progress	Total
Opening acquisition value	220	178	82	126	606
Acquisition	1	–	–	59	60
Sales/disposal	-18	–	–	–	-18
Reclassifications	–	2	–	-2	0
CLOSING ACCUMULATED ACQUISITION VALUE	203	180	82	183	648
Depreciation brought forward	124	122	54	–	300
Sales/disposal	-15	–	–	–	-15
Depreciation of the year	27	3	5	–	35
ACCUMULATED DEPRECIATION CARRIED FORWARD	136	125	59	–	320
PLANNED RESIDUAL VALUE CARRIED FORWARD	**67**	**55**	**23**	**183**	**328**
Depreciation last fiscal year	32	3	7	–	42

NOTE 14. TANGIBLE FIXED ASSETS

THE GROUP (MSEK)	Buildings and land	Machinery and other technical facilities	Construction work in progress	Total
Opening acquisition value	706	20 593	3 546	24 845
Acquisitions	0	1	3 581	3 582
Sales/disposal	-13	-105	–	-118
Reclassifications	62	737	-798	1
CLOSING ACCUMULATED ACQUISITION VALUE CARRIED FORWARD	755	21 226	6 329	28 310
Depreciation brought forward	323	10 954	–	11 277
Sales/disposal	-5	-93	–	-98
Depreciation for the year	18	615	–	633
ACCUMULATED DEPRECIATION CARRIED FORWARD	336	11 476	–	11 812
PLANNED RESIDUAL VALUE CARRIED FORWARD	**419**	**9 750**	**6 329**	**16 498**
Depreciation last fiscal year	35	639	–	674

PARENT ENTITY (MSEK)	Buildings and land	Machinery and other technical facilities	Construc-tion work in progress	Total
Opening acquisition value	687	19 369	3 546	23 602
Acquisitions	–	1	3 579	3 580
Sales/disposal	-13	-105	–	-118
Reclassifications	62	736	-798	0
CLOSING ACCUMULATED ACQUISITION VALUE CARRIED FORWARD	736	20 001	6 327	27 064
Depreciation brought forward	317	9 915	–	10 232
Sales/disposal	-6	-92	–	-98
Depreciation for the year	18	596	–	614
ACCUMULATED DEPRECIATION CARRIED FORWARD	329	10 419	–	10 748
PLANNED RESIDUAL VALUE CARRIED FORWARD	**407**	**9 582**	**6 327**	**16 316**
Depreciation last fiscal year	19	546	–	**565**

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 amounted to SEK 60 (297) million.

NOTE 15. SHARES AND PARTICIPATIONS IN GROUP COMPANIES

COMPANY	CORPORATE NUMBER	DOMICILE	SHARE (%)	QTY.	NOMINAL VALUE	BOOK VALUE
Svenska Kraftnät Gasturbiner AB	556451-0260	Stockholm	100	900	9	9
TOTAL					**9**	**9**

NOTE 16. SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

COMPANY	CORPORATE NUMBER	DOMICILE	SHARE (%)	QTY.	GROUP	PARENT ENTITY
Nord Pool Spot AS	NO 984058098	Lysaker	28.20	4 320	68	42
STRI AB	556314-8211	Ludvika	25	375	18	4
Kraftdragarna AB	556518-0915	Västerås	50	5 000	16	1
Elforsk AB	556455-5984	Stockholm	25	750	1	0
Triangelbolaget D4 AB	556007-9799	Stockholm	25	525	0	0
eSett Oy	2582499-7	Helsinki	33.33	1 250	18	18
SUMMA					**121**	**65**

Anskaffningsvärdet är lika med bokfört värde i affärsverket.

NOTE 17. RECEIVABLES FROM GROUP COMPANIES

	GROUP		PARENT ENTITY	
MSEK	**2013**	2012	**2013**	2012
Loans from subsidiaries [1]	**–**	–	**66**	88
TOTAL	**0**	0	**66**	88

[1] Refers to loans with conditional repayment obligations. During the year, repayments of SEK 22 million have been made, equivalent to repayment in two years.

NOTE 18. OTHER RECEIVABLES

	GROUP		PARENT ENTITY	
MSEK	**2013**	2012	**2013**	2012
VAT receivable	**124**	29	**124**	27
Other current receivables	**11**	3	**11**	4
TOTAL	**135**	32	**135**	31

NOTE 19. DEDUCTION PUBLIC UTILITY

The receivable carried forward of SEK 64 (3) 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

	PARENT ENTITY	
MSEK	**2013**	2012
Collection		
Reported in income title	**-618**	-378
Collected funds paid to non-interest bearing flow	**618**	378
	0	0
APPROPRIATIONS IN NON-INTEREST BEARING FLOW		
Opening balance (amount receivable +, debts	**3**	27
Reported against appropriations	**202**	201
Average attributable to transfers etc. paid to non-interest-bearing flow	**-141**	-225
CLOSING BALANCE	**64**	3

NOTE 20. PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT ENTITY	
MSEK	**2013**	2012	**2013**	2012
Pre-paid local costs	**8**	8	**8**	8
Pre-paid costs, other	**16**	15	**16**	15
Accrued revenue, electricity transmission	**245**	335	**245**	335
Accrued revenue, System operator electricity	**396**	579	**396**	579
Accrued revenue, chargeable activities	**3**	3	**3**	3
Accrued revenue, natural gas	**–**	4	**–**	4
Accrued revenue, other	**1**	3	**1**	3
TOTAL	**669**	947	**669**	947

NOTE 21. LONG-TERM INTEREST BEARING ACTIVITIES

THE GROUP AND PARENT ENTITY

MSEK	**2013**	2012
Opening balance	**1 854**	2 131
New loans during the year	**5 711**	5 348
Repayments for the year	**- 3 790**	-5 625
DEBT TO NATIONAL DEBT OFFICE	**3 775**	1 854

Approved loan limit amounts to SEK 8 000 million.

NOTE 22. LONG-TERM NON INTEREST BEARING LIABILITIES

	THE GROUP		PARENT ENTITY	
MSEK	**2013**	2012	**2013**	2012
Contributions from landowners	**219**	346	**219**	346
Undistributed investment grants	**382**	319	**382**	319
Capitalized investment grants	**303**	205	**303**	205
Settled investment grants	**-18**	-3	**-18**	-3
Undistributed capacity charges	**356**	199	**356**	199
Capitalized capacity charges	**2 745**	2 224	**2 745**	2 224
Settled capacity charges	**-165**	-66	**-165**	-66
Advance payments from fibre optic customers	**43**	48	**43**	48
Advance payments from fibre optic Group companies	**–**	–	**0**	1
Debt allocated for skills development	**5**	5	**5**	5
TOTAL	**3 870**	3 277	**3 870**	3 278

NOTE 23. PENSION PROVISIONS

THE GROUP AND PARENT ENTITY (MSEK)	**2013**	2012
OPENING BALANCE	**633**	537
Pensions paid	**-11**	-10
Annual indexation of pension liability	**49**	45
Ditto provisions for payroll tax	**9**	8
Adjustment of liability and payroll tax due to change of calculation method (reduced interest rate assumptions)	**1**	53
BALANCE CARRIED FORWARD	**681**	633

NOTE 24. DEFERRED TAX LIABILITY

THE GROUP (MSEK)	**2013**	2012
Deferred tax liability	**33**	32
TOTAL	**33**	32

Deferred tax liabilities are attributable to untaxed reserves.

NOTE 25. OTHER DEBTS

	THE GROUP		PARENT ENTITY	
MSEK	**2013**	2012	**2013**	2012
Advances from customers	**14**	13	**14**	12
Employee-related liabilities	**14**	13	**14**	13
Derivatives, negative change	**14**	3	**14**	3
Other current liabilities	**1**	2	**1**	1
TOTAL	**43**	31	**43**	29

» THE EXPANSION PROJECT OF STOCKHOLMS STRÖM INCLUDES INVESTMENTS OF SEK 5,630 MILLION «

NOTE 26. ACCRUED EXPENSES/PREPAID INCOME

	THE GROUP		PARENT ENTITY	
MSEK	**2013**	2012	**2013**	2012
Accrued expense, balance/system operators	**304**	486	**304**	486
Accrued expense, balance regulation	**66**	35	**66**	35
Accrued expense, power reserve	**25**	27	**25**	27
Accrued expense, energy compensation	**49**	53	**49**	53
Accrued expense, transmission losses	**0**	0	**0**	0
Accrued expense, disturbance reserve	**7**	6	**7**	6
Accrued expense transit compensation	**50**	67	**50**	67
Accrued holiday pay expense	**11**	12	**11**	12
Accrued payroll costs	**6**	10	**6**	10
Accrued leases on fixed assets	**–**	15	**–**	15
Accrued maintenance expenses	**34**	19	**34**	19
Accrued contingency expenses	**7**	12	**12**	14
Accrued expense, natural gas	**–**	3	**–**	3
Accrued expenses, investment	**41**	31	**41**	31
Accrued expenses, other	**22**	26	**15**	23
Prepaid telecommunications revenue	**1**	6	**1**	6
Prepaid income, other	**–**	0	**–**	0
TOTAL	**623**	808	**621**	807

NOTE 27. CONTINGENT LIABILITIES AND COMMITMENTS

Svenska kraftnät, together with the Finnish national grid company Fingrid Oyj has claimed damages of over SEK 70 million on account of damage to Fenno-Skan 2. The defendant denies the claim and settlement actions have been completed without success. Svenska kraftnät decided on 24 May 2010 that Sweden would be divided into four so called registration areas for trading on the Nordic power exchange. Värnamo Elnät AB has appealed the decision in a letter received in May 2011, i.e. one year after the decision. Svenska kraftnät has rejected the appeal as it is too late but Värnamo Elnät AB appealed to the Stockholm Administrative Court which dismissed the appeal. After a new appeal by Värnamo Elnät AB, the Administrative Court of Appeal has subsequently in a decision in January 2013 referred the matter to the Administrative Court, where it now awaits trial.

A number of municipalities in Småland and Östergötland, supported by the Environmental Code, decided to ban the use of creosote-impregnated foundations when constructing lines. Svenska kraftnät's view is that such a ban has no legal basis and has appealed to the County Administrative Boards and after some acceptance of the municipalities' ban from the County Administrative Boards, to the Land and Environment Court in Växjö. The County Administrative Board of Östergötland County has approved the Svenska kraftnät action, and thereby annulled the municipal ban.

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.

	THE GROUP		PARENT ENTITY	
MSEK	**2013**	2012	**2013**	2012
Within a year	**276**	275	**348**	347
Later than a year but within five	**651**	647	**651**	791
Later than 5 years	**386**	415	**386**	415
TOTAL	**1 313**	1 337	**1 385**	1 533

PROPOSED DISPOSITION OF PROFITS

The Government's share of non-restricted equity amounts to SEK 4 623 million, of which the profit for the year is SEK 850 million. In accordance with the dividend policy it is proposed that SEK 553 million is earmarked for dividend and that the surplus is carried forward. The parent entity's unrestricted equity amounted to SEK 4,724 million, of which net income represents SEK 853 million. 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 19 February 2014

Bo Källstrand
CHAIR

Anna-Stina Nordmark-Nilsson
VICE CHAIR

Mikael Odenberg
DIRECTOR GENERAL

Björn Carlsson

Bo Netz

Bo Normark

Karin Stierna

Oscar Engblom
STAFF REPRESENTATIVE SACO

Stefan Ekberg
STAFF REPRESENTATIVE PERSONAL ST

AUDITOR'S REPORT

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 2013, dated 19-02-2014.

THE RESPONSIBILITY OF THE AUTHORITY'S MANAGEMENT FOR THE ANNUAL FINANCIAL REPORT AND CONSOLIDATED ACCOUNTS

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 2013 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.

Maria Salomonsson who was in charge of the assignment, presented this report.

Henrik Söderhielm Maria Salomonsson

THE BOARD

Bo Källstrand

CHAIR

Born 1949, appointed 2009.
County Governor Västernorrlands County.
Chair Sjunde AP-fonden, Board member The National Government Employee Pensions Board, SPV as well as Board member Ebba och Sven Schwartz foundation. Board member The Royal Swedish Academy of Engineering Sciences, Dept. II, Electrical Engineering.

Anna-Stina Nordmark-Nilsson

VICE CHAIR

Born 1956, appointed 2004.
Advisor and consultant in own company, Regina AB, Board member Sveaskog AB (publ), Sveaskog Förvaltnings AB, Softronic AB (publ) and Dedicare AB (publ). Chair Svenska handikappidrottsförbundet/Sveriges paralympiska kommitté).

Mikael Odenberg

DIRECTOR GENERAL

Born 1953, appointed 2008.
Former cabinet minister, member of the Government's Emergency Management Committee, Coordinating Council for Smart Grid, 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.

Bo Netz

Born 1962, appointed 2013.
Director General SIDA, Board member the Swedish Arts Council and the Board of AB Trav och Galopp.

Karin Stierna

Born 1970, appointed 2007.
Municipal Commissioner Strömsund.

Björn Carlsson

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

Bo Normark

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

Oskar Engblom

STAFF REPRESENTATIVE SACO.

Born 1981, appointed 2013.

Stefan Ekberg

STAFF REPRESENTATIVE ST.

Born 1956, appointed 2012.

DEFINITIONS

KEY DEFINITIONS

RETURN ON ADJUSTED EQUITY
Profit after financial items, minus standard tax (22 %) 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 78 % of non-restricted equity.

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.

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.

ADDRESSES

Svenska kraftnät, HQ
Box 1200, 172 24 Sundbyberg
Visiting address: Sturegatan 1
Tel: 08-475 80 00 Fax: 08-475 89 50
www.svk.se email: registrator@svk.se
Invoice address: Svenska kraftnät
Box 306, 830 23 Hackås

Svenska kraftnät, Halmstad
Southern region
Box 819, 301 18 Halmstad
Visiting address: Kristian IV:s väg 3
Tel: 08-475 80 00
Fax: 035-12 17 31, 035-12 83 65

Svenska kraftnät, Sollefteå
Nipan 51, 881 52 Sollefteå
Tel: 0620-78 76 10 Fax: 0620-121 46

Svenska kraftnät, Sundsvall
Northern region
Box 603, 851 08 Sundsvall
Visiting address: Erstagatan 2
Tel: 060-19 57 00 Fax: 060-19 57 09

Elforsk AB
Olof Palmes gata 31, 101 53 Stockholm
Tel: 08-677 25 30 Fax: 08-677 25 35
www.elforsk.se

eSett Oy
Blecksslagargatan 21, FIN-00620 Helsinki, Finland
Tel: (+358 30 39 55 000)

Kraftdragarna AB
Norra seglargatan 15, 721 32 Västerås
Tel: 021-17 04 80 Fax: 021-17 04 85
www.kraftdragarna.se

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

STRI AB
Box 707, 771 80 Ludvika
Tel: 0240-795 00 Fax: 0240-150 29
www.stri.se

Svenska Kraftnät Gasturbiner AB
Box 1200, 172 24 Sundbyberg
Visiting address: Sturegatan 1
Tel: 08-475 80 00 Fax: 08-475 89 50

Triangelbolaget D4 AB
Box 26, 237 21 Bjärred
Tel: 0706-64 04 19 Fax: 046-29 28 11
www.triangelbolaget.se

PHOTO GRAPHY
Johan Fowelin (landscapes)
Peter Knutson (portraits)
Håkan Flank (portraits)

ILLUSTRATION
Hampus Ericstam