Annual report 2014

Ready energy – now and into the future

ENERGINET.DK

Contents

Preface

Denmark is often praised as a model country when the world comes together to address the problems associated with global climate change. That was also the case at the UN Climate Change Conference in Lima in December 2014, where the high share of wind power production in Denmark won widespread respect.

However, with wind power covering almost 40% of electricity consumption in 2014, it is becoming ever clearer that the increased volumes of renewable energy also call for change if the green transition is to be economically effective for Denmark as well as the rest of Europe.

The integration of wind power is one of Energinet.dk's main tasks and the reason for our investments in developing the power grid. In this respect, an important milestone was reached in 2014 with the completion of the new north-southbound electricity highway from Norway, through Jutland and down to northern Germany. The cable to Norway and the expansion of the backbone of the power grid in Jutland was commissioned in 2014, while at the beginning of the new year a decision was made to develop the power grid across the border. Together with grid expansions in northern Germany, the new electricity highway will provide a much-needed boost for the integration of renewable energy throughout all of northern Europe as well as contributing to the efficient utilisation of the solar energy generated in the south, and the wind and hydroelectric power from the north.

Together with the power stations, which can ramp production up or down depending on the wind conditions, the interconnections help to ensure that we, as a society, benefit as much as possible from our investments in wind power. However, wind power has put pressure on the power stations, and even forced the decommissioning of some of them. This was one of the key reasons why, in 2014, we started to prepare a new market model which will ensure that the market players have the right incentives to invest. At the same time, the aim is to provide more consumers and producers with a greater financial incentive for planning their consumption according to the electricity prices, and thus wind power production. All three tools – interconnections, power stations and demand response – are necessary. They are also necessary for Energinet.dk to be able to perform another main task – that of maintaining the high level of security of electricity supply in Denmark.

In Denmark, the security of supply of gas is so high that interruptions have never been seen. However, in 2014 we were reminded that there is a good reason for Europe's ambitions for energy independence as the risk emerged of the conflict between Ukraine and Russia escalating into a threat to a large part of Europe's gas supplies.

Seen in relation to the target of 100% renewable energy in 2050, the green transition has only just begun.

We still do not know all the roads that will lead us there, but regardless of the roads we take, the integration of electricity, gas, heating and transport will be an important driving force.

In this context, the gas system will play a major role, because it can be used to store and transport energy – also electricity which has been converted into gas. It was for this reason that Energinet.dk acquired the Stenlille gas storage facility in 2014, and now owns both gas storage facilities in Denmark.

Denmark is not alone in facing these challenges. Europe as a whole must together ensure the fulfilment of the European Commission's 2030 targets and policy objectives for a green transition. Also, the solutions to these challenges must be seen in a European context. We are therefore pleased that common rules for the markets and the operation of the energy systems are now beginning to take shape. Together with the expansion of the European infrastructure, the so-called network codes will be important elements in a coherent European energy market and help optimise the utilisation of Europe's power stations, wind farms, solar cells and other generation facilities.

With a new strategy that promises a high security of supply, an efficient conversion and a healthy investment climate, Energinet.dk has high ambitions for its contribution. Energinet.dk's dedicated employees work hard every day to fulfil these promises, but it is, of course, not something we can do all by ourselves. Therefore, I would like to conclude with a plea to all our stakeholders and partners: Let's work together, exchange ideas and continue our efforts to develop solutions which are economically and environmentally sustainable for Denmark and for the rest of Europe.

Peder Østermark Andreasen
President and CEO

Energinet.dk's business model

CONSUMERS | **SOCIETY** | **ENERGY SECTOR**

CUSTOMERS

HIGH LEVEL OF SECURITY OF SUPPLY

EFFICIENT TRANSITION

HEALTHY INVESTMENT CLIMATE

VALUE CREATION

MARKET DEVELOPMENT | **OPERATION AND EXPANSION OF ELECTRICITY AND GAS SYSTEMS** | **BALANCING OF CONSUMPTION AND PRODUCTION** | **ENERGY ANALYSES**

ACTIVITIES

ELECTRICITY AND GAS INFRASTRUCTURE | **COMPETENT EMPLOYEES** | **SECURE FINANCING**

RESOURCES

ENERGINET.DK IS OWNED BY THE DANISH STATE.
INDEPENDENT OF POLITICAL AND COMMERCIAL INTERESTS.
NOT REQUIRED TO GENERATE A PROFIT.

Energinet.dk's business model

Dear reader

This is Energinet.dk's annual report. Perhaps you are already looking for the bottom-line results for the year to see how well we have done: Are we posting a profit or a loss?

Our bottom line is different – it is *your* bottom line. Energinet.dk is not a money-making enterprise. We just have to break even. This means that the tariffs which you pay to Energinet.dk via your electricity and gas bills reflect the actual costs of guaranteeing your energy supply.

Here, we want to invite you in and tell you more about our business model and how we create value for you.

Energinet.dk

In Denmark, there is a widespread desire to replace fossil fuels such as coal and oil with green and sustainable alternatives such as solar, wind and biomass. On behalf of society, Energinet.dk must contribute to making this conversion feasible. This calls for a strong focus on long-term solutions and due care.

Energinet.dk is owned by the Danish state. The enterprise was founded in 2005 out of a desire to ensure equal access to the energy highways – the electricity and gas transmission grids – and to provide the best possible foundation for political and commercial independence and fair competition.

We are here for you

We work for Danish society. This means that we work for you. We are here to create value for people, institutions and businesses in Denmark. In other words for all those who are dependent on energy.

Our commitment

Energinet.dk's mission is **Reliable energy for society**. Our duty is to supply electricity and gas to all Danish citizens, businesses and institutions – now, tomorrow and in the years to come.

Our vision is **Balance in a sustainable energy system**. Through international and market-based solutions, a balance must be struck between the short and long-term perspectives, between the interests of consumers and producers, and between national and international initiatives in step with the transition to renewable energy.

Our value creation

In our new strategy we make three commitments to Danish society. The commitments express the success metrics of our value proposition to consumers, the energy sector and society in general. The commitments should be seen together and not separately. They are ambitious in that we want to realise all three at the same time.

We guarantee a high level of security of supply for electricity and gas – now and in the future
Danish security of supply is ranked among the highest in Europe. For many years, Danish electricity and gas customers have thus enjoyed a very high security of supply, meeting their energy needs round the clock. Energinet.dk is guaranteeing Danish society that the security of supply will remain at its current high level. In other words, the green transition must not detract from the security of supply.

We take responsibility for an economically viable transition
Energinet.dk assumes responsibility for ensuring that the transition of the Danish energy supply to renewable energy will take place without any unnecessary increases in the total energy bill, now and in the future.

We contribute to a healthy investment climate in the energy sector
In the coming years, extensive investments must be made in the energy sector as a whole. Energinet.dk is committed to helping to create a healthy investment climate that enables market players to make the most informed investment decisions. An investment climate that will pave the way for investments, for viable business models and a proactive electricity and gas sector.

Our core tasks

The title of our new strategy plan is Integration. It is testament to our belief that an economically responsible green transition of the Danish energy supply requires a very high degree of coordination between the various energy systems, between the European energy markets and between all parts of the value chain – between energy production, transmission, distribution and trading in energy.

The fulfilment of our commitments relies both on our ownership of the Danish electricity and gas transmission grids, including the electricity and gas connections with neighbouring countries, our access to attractive financing and our highly skilled employees, and also on the duties and responsibilities with which we have been entrusted by society:

- We develop the frameworks for the electricity and gas markets.
- We operate, maintain and develop the electricity and gas infrastructure.
- We balance consumption and production.
- We carry out holistic energy analyses.

In addition, we carry out a number of public sector services, including the administration of solar cells, of fund-

ing for research and development and of financial support for environmentally friendly energy.

During the 2015-2017 strategy period, we are focusing our efforts within five areas: Security of supply, development of the electricity and gas markets, holistic energy analyses, infrastructure and information security. Together, these initiatives must ensure that our commitments are fulfilled.

Focus of annual report

The management's review is divided into five chapters in which we have chosen to focus on the most important challenges and schisms associated with the green transition and the international context in which the future solutions must work.

Today, Danish wind power meets almost 40% of the demand for electricity, which is already a challenge from the point of view of security of supply. Not in the sense that wind power has led to power cuts, but all else being equal, in a few years' time maintaining the electricity system balance, which is key to being able to switch on the lights, will be more difficult. You can read more about this in chapter 1, where we also talk about what we have done to maintain the high level of security of gas supply. Europe's journey from black to green energy requires new energy highways along which the green energy can travel between the various countries. Also, Denmark's physical access to the other European energy markets must be improved through the establishment of new interconnections. You can read more about this in chapter 2.

Denmark is a small and open economy – also when it comes to energy. One of the consequences of this is that the Danish wholesale prices for electricity are to a large extent determined by circumstances outside Denmark – and increasingly by the expansion of wind power in Germany. This has resulted in falling electricity prices and, consequently, the decommissioning of several Danish power stations. We address this issue in chapter 3.

Energinet.dk is responsible for developing the frameworks for the electricity and gas markets. The framework for the electricity market needs a particularly thorough adjustment for the market to contribute to addressing the challenges associated with the green transition. Together with the market players, in 2014 Energinet.dk started work on a new market model. In chapter 4 you can read more about how the market can contribute to improving the balance between wind power and electricity consumption and to ensuring that there will still be power stations in future.

As will be seen, there are no easy options for ensuring that the green transition takes place in a way which adds the greatest possible value for society. One of the toughest challenges is to integrate and ensure a common direction for the various energy systems – electricity, heating, gas and transport. This means, among other things, that in the future energy for many more processes will be supplied via the power sockets. At the same time, the gas system's capacity for storing energy – also in the form of electricity – must also be developed. This is the focal point of the fifth and final chapter, before we proceed to the more traditional parts of the annual report.

In the second part of the management's review, in the section on corporate governance, we focus on the Recommendations on Corporate Governance and Energinet.dk's internal control environment. In addition, we focus on the in-depth analyses of Energinet.dk which were conducted in 2014. This year, the reporting on our traditional CSR activities is being published on our website rather than forming part of the annual report.

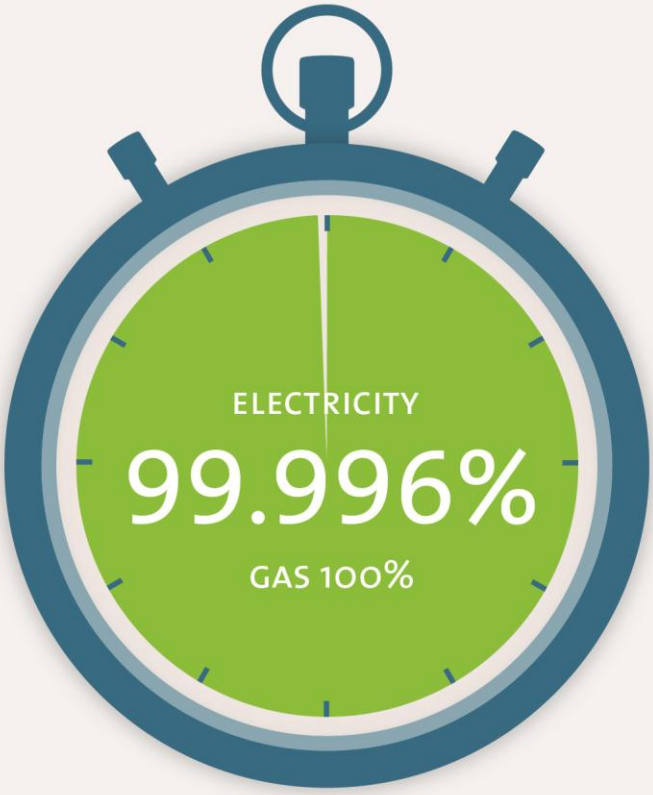
In the financial review, we report on the results of the three business segments which are managed according to the break-even principle, and which determine the tariffs paid by electricity and gas consumers. The business segments concerned are the Power system, the Promotion of environmentally friendly energy – PSO, and the Gas system. Finally, we report on the results of the two commercial operations owned by Energinet.dk, ie the two gas storage facilities and a business venture selling consultancy services and leasing out fibre cable capacity.

We hope you enjoy reading our annual report for 2014, and that you will let us know if you feel that important information is missing or that certain issues have not been explained clearly enough. Please feel free to write an email to info@energinet.dk.

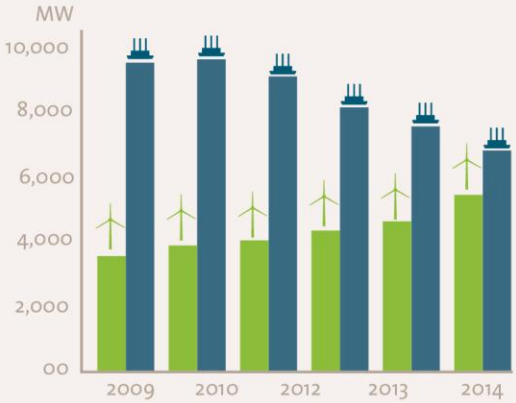
TRANSITION

with high level of security of supply

The security of energy supply in Denmark is ranked in the top-10 in Europe.



Security of supply in 2013



Wind turbine, solar cell and power station capacity

In the past five years, the capacity of fluctuating energy sources – wind turbines and solar cells – has increased by 1,321 MW, or 38%. Capacity at the power stations, which can regulate production, has declined by 2,700 MW, or 29%.

In 2014, disruptions in Energinet.dk's grid resulted in power cuts lasting an average of 15 seconds for consumers.

Highest wind power share
January 2014: 61.8%

Lowest wind power share
July 2014: 23.0%

Will we still be able to switch on the lights tomorrow?

In the coming years, Denmark can still look forward to a high level of security of supply of both electricity and gas. However, important decisions must be made, and European cooperation must be intensified if we are to ensure that the green transition does not lead to a greater risk of power shortages for electricity consumers in special situations.

In the ten years it has existed, Energinet.dk has played an important role in supplying citizens, businesses and institutions with energy in the form of electricity and gas as and when they needed it. This was also the case in 2014, which was another good year for Energinet.dk and thereby for Danish society when measured in terms of our core service – the security of supply of electricity and gas.

We will not compromise on this, and in our Strategy plan 2014, we are committed to maintaining the same high level of security of supply for Danish society. This means that when measured over a number of years, consumers must experience power cuts for a maximum of 50 minutes a year on average; see figure 1.

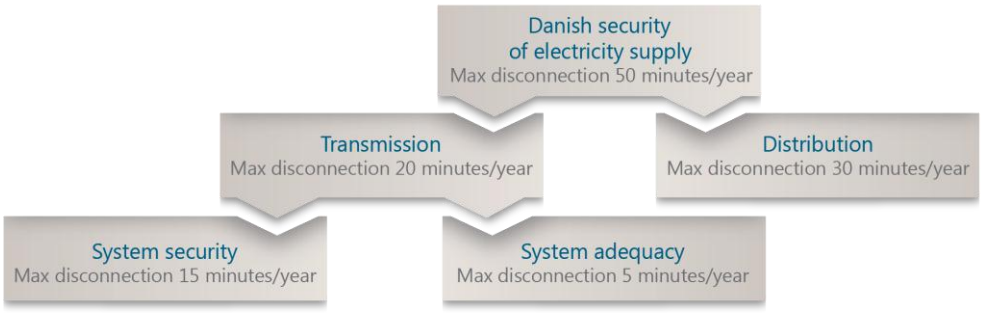
Superior security of gas supply in Denmark

Since the introduction of the natural gas system in the 1980s, Denmark has enjoyed a very high level of security of supply, and gas consumers have in effect never been affected by interruptions in the transmission system.

Energinet.dk has expanded the gas network with a new gas pipeline between Ellund near the Danish/German border and Denmark's gas hub in Egtved near Vejle. The new pipeline was commissioned in 2013. Together with the expansion of the gas network in northern Germany, which is due to be completed in 2015, the gas pipeline ensures that the Danish consumption of natural gas is covered, despite the declining gas reserves in the Danish part of the North Sea. Moreover, gas consumption in southern Sweden, which receives gas from Denmark, is also covered.

Unlike electricity, gas can easily be stored. Energinet.dk upholds the security of gas supply by purchasing spare capacity, which is then stored in gas storage facilities for release in emergency situations. In the case of extreme emergencies, Energinet.dk adheres to the EU's joint rules, whereby countries which are in a position to do so must send gas to countries where consumers without any alternative to gas would be hit by the supply crisis. So far, this has meant that the gas supplied to large gas customers would be interrupted. In dialogue with the large industrial gas customers and in cooperation with the Danish Energy Agency, this principle was relaxed slightly in 2014 so that any interruptions to the gas supply to

Figure 1: Danish security of electricity supply target



Average over a number of years

large consumers will now be subject to a longer notice period.

Almost one third of Europe's gas supplies come from Russia via Ukraine. Consequently, in 2014 the debate about European gas supplies was dominated by the conflict between Russia and Ukraine. Even though European gas supplies did not suffer physically, the conflict nevertheless put the security of supply firmly on the agenda. The European Commission asked the EU countries to prepare a risk analysis of their gas supply situation from September 2014 and six months ahead. The analysis of the Danish situation, to which Energinet.dk contributed, showed that supplies to all gas consumers – both protected and unprotected – could be maintained for at least five months if imports via Germany were interrupted. This was attributable, in particular, to the fact that the two Danish gas storage facilities were quite full.

More wind power – same security of supply

With power flowing for an average of 99.991% of the time, Denmark has one of the highest levels of security of electricity supply in Europe. The high level of security of electricity supply has been maintained even though the share of fluctuating wind power relative to electricity consumption has doubled over the past ten years.

The high level of security of supply is largely explained by the fact that Denmark has a good and robust national grid.

However, a high security of supply also relies on the availability of sufficient capacity in the electricity system – at power stations, in the power grid, and on the electrical interconnections to neighbouring countries – to meet the demand for electricity, also at times of high electricity consumption and no wind.

In this respect, substantial changes are taking place at the moment. So far, Danish power stations have had the necessary capacity and more to cover electricity demand in Denmark in every conceivable situation. Now, any surge in demand on a cold winter's day with calm wind conditions must be covered by imports, as several power stations capable of ramping electricity production up and down have been retired in the past year. Read more about the background for this in the chapter Wind power pushing electricity prices down in northern Europe on page 21.

In Eastern Denmark, where interconnection capacity is less than in Western Denmark, there may be a risk from 2016 that peak demand on a cold winter's evening with no wind cannot be met. To deliver on the promise that Danish electricity consumers should experience power

Figure 2: Supplies in the Danish natural gas system

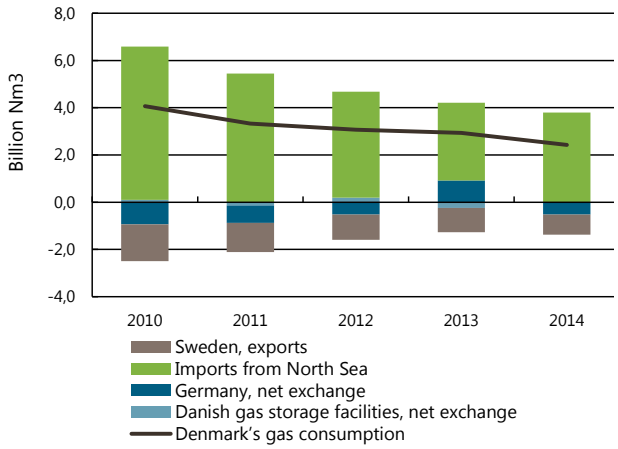
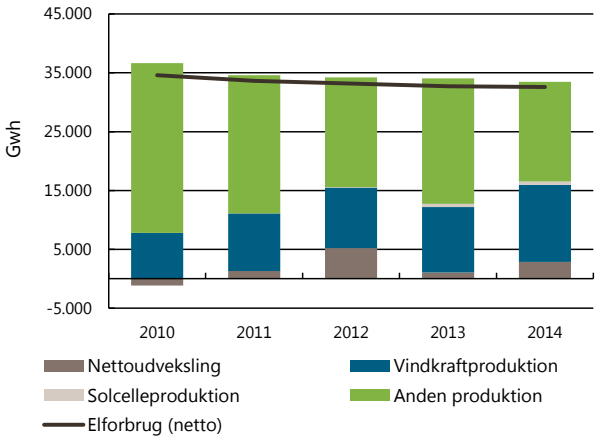


Figure 3: Supplies in the Danish electricity system



cuts for a maximum of five minutes on average a year due to capacity shortages in the electricity system (see figure 1), Energinet.dk has introduced a new concept. It means that Energinet.dk will, from 2016, be paying power stations for making capacity available which the market can use if this is the only way of balancing the electricity system and thereby securing the electricity supply. The new interconnection to Germany via the new Kriegers Flak offshore wind farm will improve the balance of the electricity supply on Zealand. Read more about the new interconnection on page 16.

National self-sufficiency or mutual dependence

The decline in power station capacity has given rise to concern and debate both in Denmark and in other European countries, and a few countries are working on introducing so-called capacity markets to ensure the availability of sufficient national power station capacity at all times.

The alternative to the purely national solution is for European countries to share their combined power station capacity to a much greater extent than is the case today. This will ensure a more effective utilisation of the European power stations and thereby significantly lower security of supply costs than if each nation has to have sufficient power station capacity to supply itself in every conceivable situation. For this solution to be viable, the national rules for the electricity market and the operation of the electricity system must to a greater extent be replaced by common European rules like those on which the EU is currently working. Energinet.dk is participating actively in drawing up the so-called network codes, and has also chosen to play a more prominent role than previously in the European fora for cooperation within the field of energy which are helping to realise the visions of the European Commission for an open European energy market.

READ MORE

IT and security of supply

A high level of security of energy supply requires a high level of IT and information security.

Energinet.dk's commitment to maintaining a high security of supply is becoming increasingly dependent on a high level of IT and information security. On the one hand, modern information technology plays a key role in the day-to-day operation of the electricity and gas systems. On the other hand, increased reliance on IT also means increased vulnerability. Any IT system failure, for technical reasons or due to attacks by hackers, can seriously threaten the security of supply. In fact, the threats to society's IT systems are growing, according to the Danish authorities. For these reasons, IT and information security are given a high priority in Energinet.dk's new strategy plan.

Energinet.dk is working to raise IT security at all levels, and also to create an overview of any potential threats to electricity and gas system operations. For example, an information security committee has been appointed, a more stringent security policy has been introduced, and monitoring of the IT systems has increased.

To ensure that crashes and other critical impacts on information security can be handled without impacting the security of supply, Energinet.dk has also started a comprehensive upgrading of the SCADA system, which is the IT system used to operate the electricity systems. When commissioned in 2015, the new system will significantly boost the security of the electricity system. Later, the SCADA system for gas system operations will also be upgraded.

In the longer term, Energinet.dk wants to ensure that modern information technologies are used and seen as an integral part of electricity and gas system design. In this way, information security and system security will be seen as inextricably linked and as natural elements in all Energinet.dk's development, construction and IT projects. Similarly, information technology will be considered on an equal footing with other elements whenever assessing electricity and gas system security. This means that robustness and security will be considered in connection with data exchange, data storage and data processing as well as processes, systems and components.

ELECTRICITY HIGHWAYS

between Denmark and its neighbouring countries

Interconnections ensure balance in the wind power-based system and contribute to an efficient green transition.

Electricity imports 2014
37.5%

Electricity exports 2014
29.0%

% relative to electricity consumption

Maximum electricity consumption

2014: 6,039 MW
2020: approx 6,700 MW

Central and local power station capacity

2014: 6,730 MW
2020: approx 5,700 MW

Wind turbine and solar cell capacity

2014: 5,500 MW
2020: 6,900 MW

Interconnection capacity

2014:
Imports: 5,140 MW
Exports: 5,880 MW

2020:
Imports: approx 8,000 MW
Exports: approx 8,400 MW

New electricity highways mean green energy on time

To ensure the free movement of energy in Europe, huge investments must be made in expanding the electricity highways in and between the various countries. The expansions must ensure the efficient conversion of the European energy supply, maintain the security of supply and further the integration of the European electricity markets.

Just after Christmas 2014, Energinet.dk and the Norwegian TSO, Statnett SF, sent the first electrons through a new, large cable between Denmark and Norway. A few months earlier, Energinet.dk had completed work on expanding the electricity backbone from Aabenraa to Viborg, where the cable to Norway is connected to the Danish power grid. Thus, a new strong interconnection has been established between the Norwegian hydroelectric power stations and the Danish wind turbines.

Wind power and hydroelectric power are a perfect match. When there is plenty of wind, the Norwegians and Swedes can be supplied with electricity from Denmark, and thus conserve the water in their reservoirs. Conversely, the accumulated water can be used to drive the hydroelectric turbines when the wind dies down in Denmark. Hydroelectric power can thus work as a way of storing the fluctuating wind power production and ensure that it does not have to be sold the second it is produced. This contributes to increasing the value of wind power. Read more about the value of wind power in the chapter Wind power pushing electricity prices down in northern Europe on page 21.

However, the new electricity highway is not yet finished. To complete the plans, an extra lane must be added to the connections which run from Kassø near Aabenraa and across the Danish-German border together, not least, with an extensive expansion of the German power grid. Once completed, the expansion will significantly improve the scope for integrating wind power from Denmark and northern Germany and solar energy from southern Europe into the European electricity systems; today, congestion in the power grid in northern Germany is hampering the possibilities for sending both Danish wind power across the border and wind power from northern Germany to the large electricity consumers in the industrial areas in southern Germany.

The Norwegian-Danish-German electricity highway is an important element in northern Europe, but solves only a fraction of the challenges facing Europe as a whole. To efficiently integrate renewable energy, maintain the security of supply and further the integration of the European electricity markets, Europe needs an additional 50,000 km of electricity transmission grid. European countries are thus facing a huge combined investment of EUR 150 billion according to an estimate by the TSOs' joint Euro-

pean organisation ENTSO-E based on the most recent ten-year plan for the European power grid.

Interconnections add value

Expanding the electricity infrastructure to Denmark's neighbouring countries is an efficient way of helping Energinet.dk to deliver on its promises of a high level of security of supply, an effective green transition and a healthy investment climate. For this reason, Energinet.dk is working to realise the interconnections from which the greatest socio-economic benefits can be derived in a regional perspective. The replacement of several Øresund cables and four new interconnections are on the drawing board, including the interconnection between Jutland and Germany which is part of the electricity highway described on page 16. The interconnection was decided by Energinet.dk and the German partner TenneT TSO GmbH at the beginning of 2015, and will be established by upgrading two existing 220 kV lines between Aabenraa in Denmark and Flensburg in Germany to 400kV. The plan is for the upgrade to be commissioned in 2020. TenneT TSO GmbH is also expanding the German grid from Flensburg to Dollern south of the Elbe.

The project is part of the European Commission's list of projects of common interest – the so-called PCI list.

Combined solution via offshore wind farm

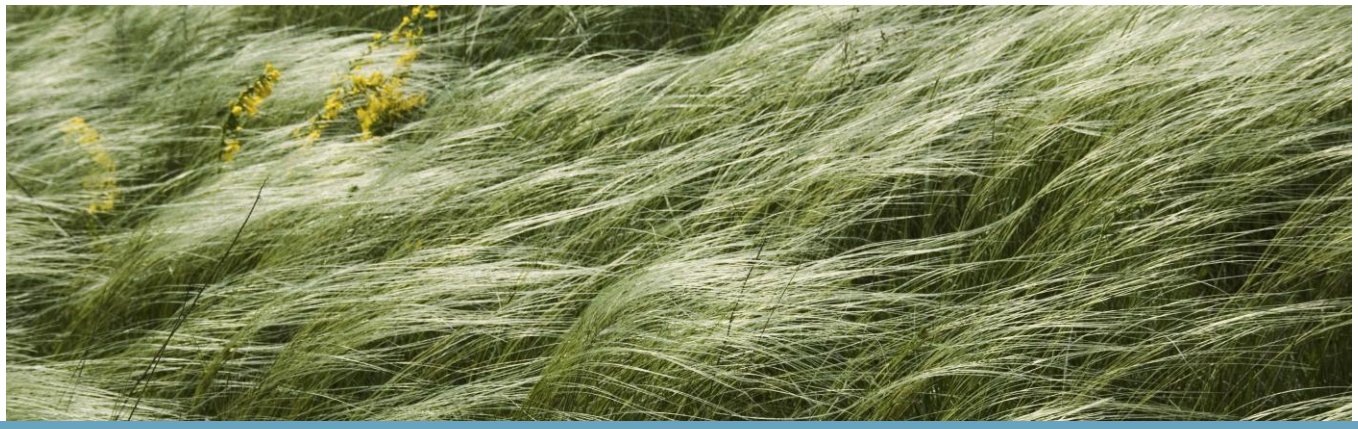
A new interconnection between Eastern Denmark and Germany is also being planned. Together with the German TSO 50Hertz Transmission GmbH, Energinet.dk is working on an interconnection via the future Danish offshore wind farm at Kriegers Flak and a number of German wind farms in the Baltic Sea. In this way, the first offshore power grid in the world can be realised.

The offshore power grid means that the cables transmitting the power from the offshore wind turbines to Denmark and Germany can also can be used when the turbines are not running. In this way, the interconnection can help strengthen the security of supply, while concurrently providing the market players with increased Net Transfer Capacity.

The new interconnection has received funding from the European Energy Programme for Recovery and is included in the PCI list.

Next stop the Netherlands

After several years of preparatory work, in 2014 Energinet.dk and the Dutch TSO, TenneT TSO B.V. signed an agreement on a 700 MW interconnection between Jutland and the Netherlands. The plan is for the COBRAcable, as the connection is called, to be commissioned in 2019. From Denmark's point of view, an interconnection



to the Netherlands will improve the scope for selling wind power to the markets south of the border by-passing the congested grid in northern Germany. The European Commission has included the COBRAcable on the PCI list of projects of common interest and is supporting the cable under the European Energy Programme for Recovery.

Transmission corridor across the North Sea

The fourth interconnection on Energinet.dk's drawing board runs across the North Sea to England, which also needs to integrate large volumes of wind power. Together with a company owned by National Grid plc, which also owns the UK TSO, Energinet.dk is analysing the technical and economic aspects of establishing an HVDC connection between Jutland and southern England.

Considerable socio-economic benefits are expected to be derived from such an interconnection, based especially on the fact that wind power production in Denmark and the UK is not synchronous: When the wind blows in the UK, the weather is often calm in Denmark and vice versa. If the analyses confirm the economic viability of the connection, Energinet.dk and National Grid plc can decide to go ahead with the investment at the beginning of 2017, and the Viking Link, as the connection is called, can be ready for operation at the end of 2020.

Obstacles along the way

Even if an interconnection makes socio-economic sense from a regional point of view, the realisation of such interconnections has become more of a challenge, and it is a lengthy process from the initial dialogue with neighbouring TSOs until the joint investment decision is made. There are several reasons for this. First of all, investments of this nature are long-term investments, and predicting the economic foundation for the projects throughout their useful lives is difficult. Secondly, the European TSOs are subject to different types of economic regulation, and unlike Energinet.dk, many of them are, for example, expected to generate returns for their owners. Thirdly, in wanting to establish interconnections with neighbouring countries, Denmark is often up against other countries which are also keen to establish interconnections with the same country.

READ MORE

Overhead lines disappearing from view

Energinet.dk is currently investing heavily in beautifying the Danish landscape by replacing large sections of the Danish transmission grid with underground cables.

In 2014, a number of high-voltage towers disappeared, viewed by many people as extremely ugly structures, by others as impressive landmarks. Bit by bit, Energinet.dk dismantled the towers in the town of Middelfart on Funen as well as the four 125-metre-high towers holding the overhead lines across the Little Belt. The year before, the two large 400 kV overhead lines had been replaced with submarine cables. The total cost of undergrounding the cables came to just under DKK 400 million.

The cabling was motivated by a desire to beautify the landscape and to keep urban areas free from large towers and overhead lines as part of a political wish to enhance the beauty of the Danish countryside by placing large sections of the Danish transmission grid underground. More specifically, Energinet.dk has been ordered that all 132 kV and 150 kV overhead lines – totalling 3,200 km – must be replaced with underground cables by 2030; also, a number of particularly unsightly 400 kV lines must be placed underground or moved.

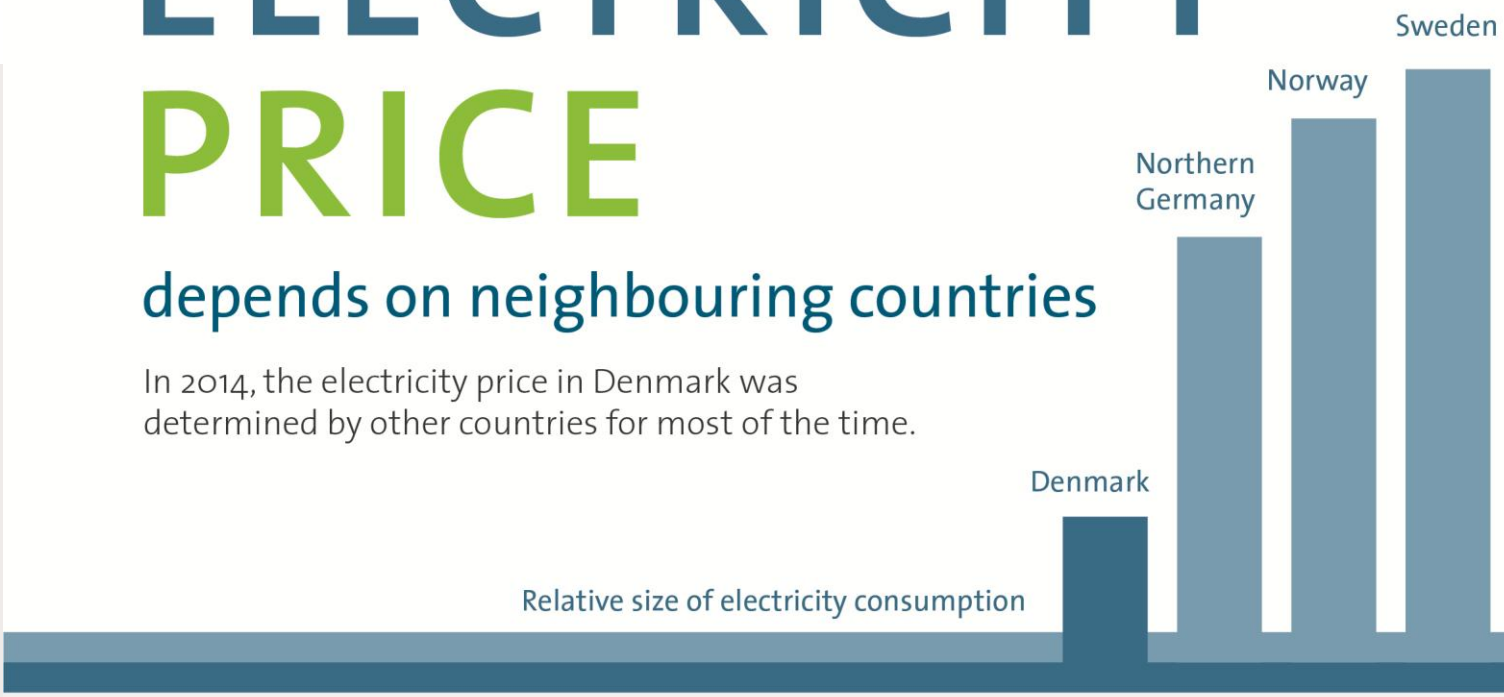
Even though the cables are laid to reduce the visual impact of the airborne transmission grid and not out of a need to renew overhead lines or to increase capacity, Energinet.dk is seizing the opportunity to carry out a comprehensive renewal of the grid. At the same time, the power grid is being restructured to match the electricity system of the future, which will be characterised among other things by the generation of increasing volumes of wind power in various locations and by the decommissioning of many large power stations.

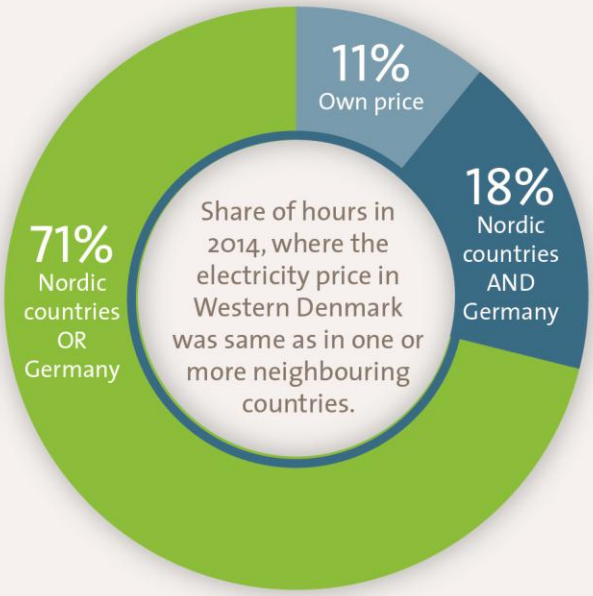
So far, specific plans have been laid for the first quarter of the 132 and 150 kV grid, which will be taken down and replaced with underground cables by 2019. The order in which the overhead lines are being replaced is determined by their age, proximity to conurbations and requirements following, for example, from the decommissioning of power stations and the installation of new wind farms.

ELECTRICITY PRICE

depends on neighbouring countries

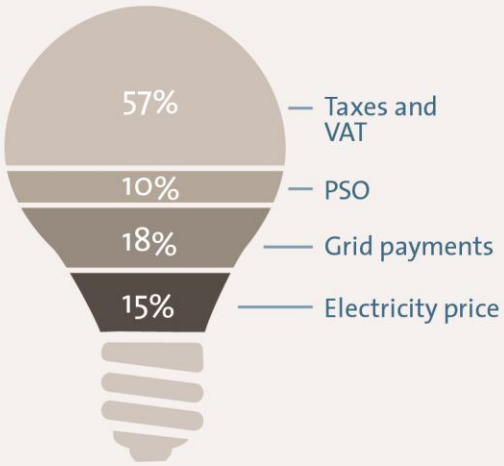
In 2014, the electricity price in Denmark was determined by other countries for most of the time.





Denmark has the same electricity price as neighbouring countries

Denmark is divided into two price areas. The figure shows Western Denmark, where the price was determined by other countries for 89% of the time. Eastern Denmark had the same price as one or more neighbouring countries for 95% of the time in 2014.



Electricity bill in 2014

In 2014, a typical household paid an average of DKK 2.26 per kWh, including tariffs and taxes.

Western Denmark

Average wholesale price
2014: 22.9 øre/kWh
2013: 29.5 øre/kWh

Eastern Denmark

Average wholesale price
2014: 24.0 øre/kWh
2013: 29.1 øre/kWh

Nordic countries

Average wholesale price
2014: 22.0 øre/kWh
2013: 28.4 øre/kWh

Wind power pushing electricity prices down in northern Europe

In 2014, electricity prices were low in Denmark, with an average price of DKK 0.23 per kWh against DKK 0.29 per kWh in 2013. The low prices are not an isolated Danish phenomenon which can be attributed to the expansion of wind power in Denmark. Electricity prices were also low in neighbouring countries, and as Denmark is a small and open economy – also as regards its energy supply – the downward pressure on prices in Denmark is largely attributable to electricity prices in our neighbouring countries. The low price level seen in recent years has led to the decommissioning of several Danish power stations.

Looking at the naked electricity price, 2014 was a good year for Danish electricity consumers. However, the total electricity bill also includes tariffs, taxes and PSO tariffs etc. of course. In 2014, the electricity bill for a typical household averaged DKK 2.26 per kWh, which is basically on a par with the past five years. The lower electricity prices have resulted in higher PSO tariffs, which are, for example, disbursed to local CHP plants and wind turbine owners. Read more in the section Promotion of environmentally friendly power generation – PSO on page 51.

Electricity prices determined by neighbours

The low electricity prices in Denmark have largely come from our neighbouring countries. As a small, open economy with a relatively modest level of electricity consumption and with many electricity highways to neighbouring countries, Denmark has imported its low electricity prices from the outside world. In the countries bordering Denmark, electricity prices were also markedly lower in 2014 than in 2013.

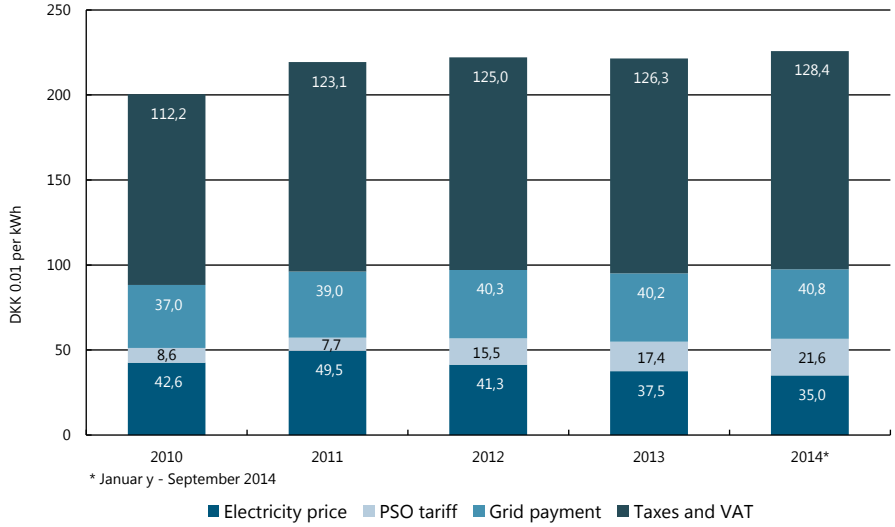
The importing of the low electricity prices from our neighbouring countries is evident from the fact that, for about 90% of the time in 2014, the electricity price in Denmark was the same as the price in at least one of our neighbouring countries; only for a very small number of hours was the Danish price markedly different from prices in neighbouring countries.

The days around New Year 2014/2015 were no exception. Given the high winds and thereby a high level of wind power generation combined with low electricity consumption as a result of the public holidays, a negative electricity price was recorded in both Denmark and Germany at times.

Wind power expansion in neighbouring areas

In Denmark, we have invested heavily in wind power, which has very low marginal costs and which can therefore generate cheap power once the wind turbines have been installed. However, viewed in isolation, the Danish wind turbines have only a limited bearing on the electricity price in Denmark; usually it is only at times of

Table 1: Average electricity prices for Danish households 2010-2014



very high wind power generation relative to consumption combined with congestion on the interconnections that Danish wind turbines determine the price of electricity in Denmark. Often, levels of wind power generation south of the border and levels of precipitation in the Nordic region are the factors which have the greatest impact on the Danish electricity price.

In recent years, a dramatic expansion in wind power capacity has taken place in the countries bordering on Denmark. Expansion has been particularly strong in northern Germany, and wind power capacity in the three northernmost German states currently stands at approx. 15,000 MW – about three times the capacity in Denmark. In northern Germany, wind power capacity is expected to double over the next ten years.

The share of wind power in Denmark is important from the point of view of the political objectives of reducing carbon emissions, ensuring independence from fossil fuels and increasing self-sufficiency, but when it comes to the electricity price, it is the wind turbines in Germany rather than those in Denmark which determine the price in Denmark. While the Norwegian hydroelectric power stations – and thus the levels of precipitation in Scandinavia – used to have a significant bearing on electricity prices in Denmark, wind power now plays a similar role.

Power stations challenged by low prices

The low electricity prices in northern Europe have major consequences for the market players. The power station owners came under particular pressure in 2014 as the low electricity prices cannot cover the power generation costs. The low price is directly reflected in the total power station production which has fallen by approx. 40% over the past five years. On account of the low prices, it is also difficult to attract investments in new generation facilities which are not guaranteed subsidies. This is not just a challenge for the Danish market players, but also in other European countries.

Larger markets stabilise prices

Developments in the electricity price in Denmark and in the rest of northern Europe are determined by the speed of the green transition, by how much the wind blows and by precipitation levels in Norway and Sweden. However, the electricity price is not least determined by the expansion of the pan-European electricity highways which will allow the unhindered transmission of wind power to Bonn, Barcelona or Bergen, depending on where demand is highest. A transmission grid without significant congestion is thus one of the most important preconditions for stabilising the electricity price at a level which will ensure the right investments in power generation facilities.

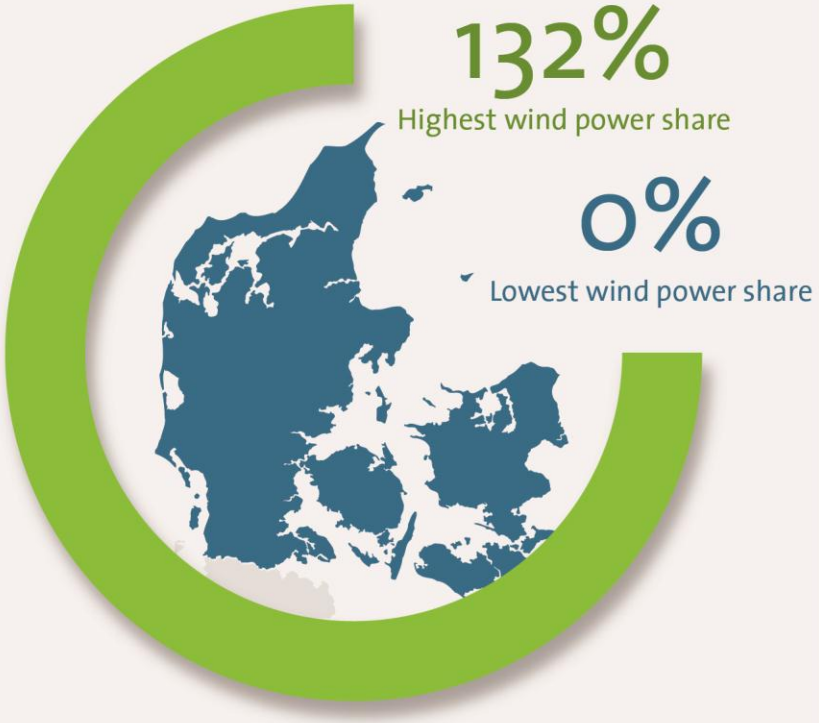
ELECTRICITY CONSUMERS

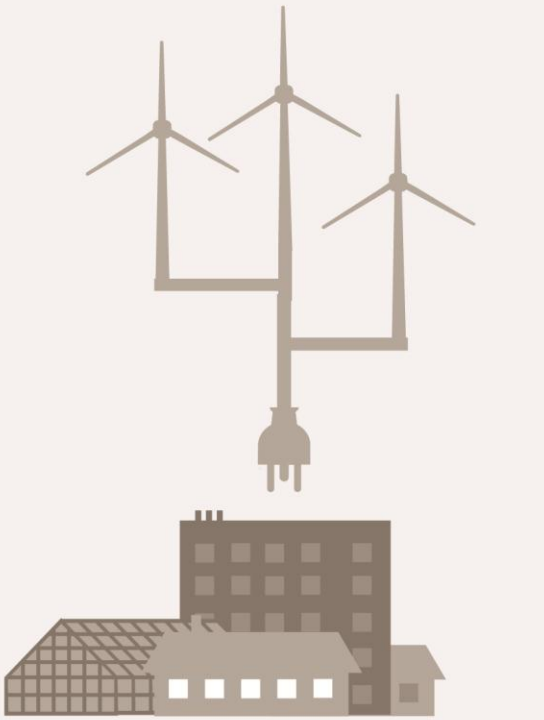
must help reduce the need for dispatchable electricity generation

The future electricity market must provide incentives for planning one's electricity consumption according to the volume of wind power being generated.

Now

Future





Companies able to plan their electricity consumption according to the price of electricity can contribute to balancing a system dominated by wind power.

Highest wind power share

The highest share of wind power relative to consumption was registered on 19 January 2014 between 4:00 and 5:00 in the morning.

Lowest wind power share

The lowest share of wind power relative to consumption was registered on 29 September 2014 between 17:00 and 18:00 in the afternoon.

Energy markets of the future taking shape

There is a need for more demand-response electricity consumption, and there is a need to ensure that power station capacity is sufficient to balance consumption and production in future, whether or not the wind turbines are spinning fast or slowly and regardless of the level of electricity consumption. This is the background against which Energinet.dk in 2014, together with the various players in the electricity sector, embarked on a process which will lead to radical changes to the market model.

The electricity consumption of most Danish consumers is closely associated with their everyday routines and habits, and is not determined by variations in the electricity price. The lack of demand elasticity for electricity means that there is a limit to how much of our electricity consumption can be shifted to times of plentiful wind power production, thereby ensuring greater harmony between fluctuations in electricity consumption and wind power production. However, with greater financial incentives, more enterprises are likely to follow the example of one large cold storage facility: When wind power is abundant and the price of electricity is low, the compressors are switched on, and the freezing of pork tenderloin begins. Once the meat is frozen, the electricity price goes up, and the compressors are turned off until the electricity price starts falling again, or until the temperature of the meat rises too much.

Demand response is a key concept in the energy market of the future, and an essential reason why Energinet.dk and the market players in the electricity sector decided, in 2014, to start developing a new model for the electricity market – Market model 2.0.

More wind power creates new needs

Since the liberalisation of the electricity market, the current market model has contributed to optimising the use of existing generation facilities and to balancing consumption and generation. At the same time, international market-based solutions have increasingly contributed to optimising how energy resources are utilised throughout the entire north European region.

With increasing volumes of electricity generated from fluctuating energy sources like solar and wind power, the current business model no longer fulfils its role. It does not provide electricity producers with sufficient incentives to invest, and nor does it ensure sufficient benefits for consumers to want to tailor some of their electricity consumption to the fluctuations in wind power production.

Three objectives have been defined for the new market model: It must ensure a healthy investment climate, and thereby the production capacity and demand response which are necessary to maintain a high security of supply. It must contribute to the improved integration of renew-

able energy in all markets. And it must ensure that the Danish market solutions are aligned with developments taking place in the electricity markets outside Denmark.

The first phase of the Market model 2.0 project, which was completed in 2014, presented three possible market solutions: Clear price signals for an improved framework for investments in demand response. Strategic reserves which ensure market capacity in extreme situations. Capacity market, which is a direct payment for maintaining capacity in extreme situations.

The new market model, which is an important focus area in Energinet.dk's strategy plan, is expected to take shape in 2015, once the new model has been outlined in the second phase of the project.

A developing gas market

In 2014, Energinet.dk celebrated the tenth anniversary of the liberalisation of the Danish gas market. At the same time, 2014 was a year in which important steps were taken towards harmonising the European gas markets, and at the end of the year five so-called network codes were nearing final approval. The five codes lay down rules for auctions, congestion, cooperation on system operation, tariffs and handling gas system balance.

On 1 October 2014, Energinet.dk introduced a new balance model for the Danish gas market, whereby shippers must ensure balance in the gas system through trading on the gas exchange. The aim is to encourage more trading and increase liquidity in the Danish gas market – for the benefit of investors and consumers. With the introduction of the balance model, Energinet.dk lives up to the requirements of a new EU regulation on balancing which was adopted in 2014.

The new model means that the shippers, which are the companies that transport the gas in the system, must take more responsibility for creating balance in the Danish gas system. In this way, they ensure that the volume of gas being fed into the system better matches consumption than is currently the case.

The new model offers advantages for both the system and the shippers. Energinet.dk expects the shippers to need more flexibility during the gas day to maintain a constant balance, which they, among other things, will be able to achieve by trading on the gas exchange. This means that the Danish gas market becomes more liquid, while prices are kept at a competitive market level for the benefit of both consumers and the trade on the European market.

ENERGY

must increasingly be supplied in the form of electricity

Using electricity for new purposes must contribute to ensuring that society as a whole can reap the benefits of Danish investments in wind power.

ELECTRICTY CONSUMPTION

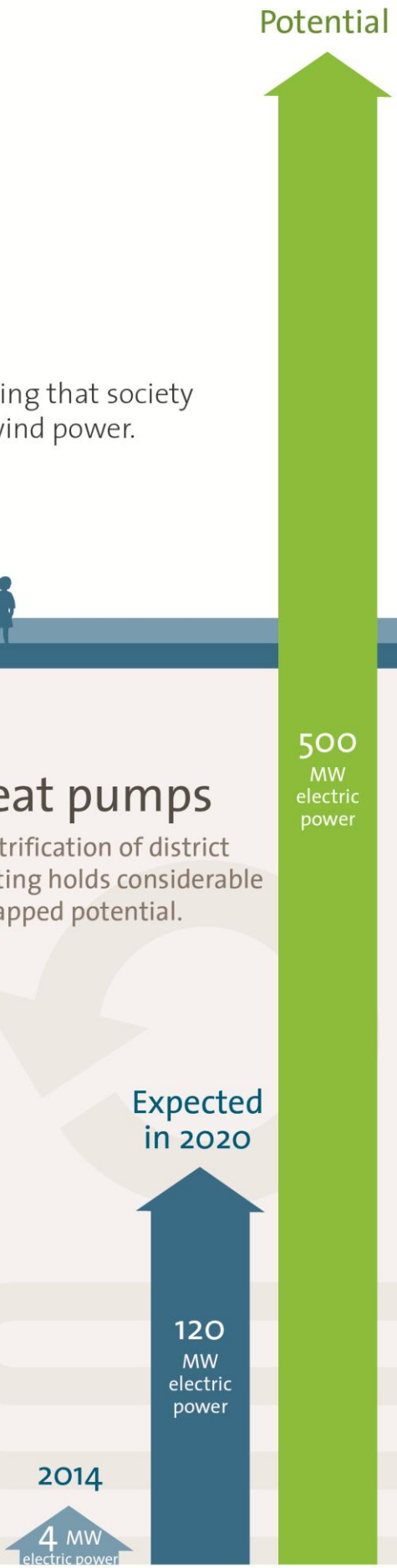
The traditional electricity consumption must be reduced, but in the future, more parts of the energy system must be supplied with green energy in the form of electricity.

Heat pumps
2014: 4 MW electric power
2013: 4 MW electric power

Electric boilers
2014: 527 MW
2013: 447 MW

Heat pumps

Electrification of district heating holds considerable untapped potential.



Long road to energy system integration

Regardless of how big a role wind power will come to play in the green transition over the coming decades, there is a need to take a holistic look at our energy consumption as a whole. This means, among other things, that more processes must be electricity-driven, and that the natural gas system must be used for new purposes. However, integration is not only a challenge in Denmark. The greatest benefits can be gained by developing Danish solutions which will work with those developed in our neighbouring countries. Integration is a difficult task, yet it offers considerable scope for reducing energy bills and boosting the value of wind power.

Before the turn of the millennium, focus was very much on 'saving electricity together', when Danes were encouraged to cut their consumption. In the coming decades, the focus must shift towards 'using electricity together'. In the future, we must in fact use more electricity. Not in the sense that we should go back to incandescent bulbs and to stop caring about how much electricity we use in industrial processes and when going about our daily activities in our homes. However, in the future several of the processes that are currently fuelled by energy from oil, petrol, gas and biomass must be based on green energy supplied in the form of electricity. Increased electrification is key to the socio-economically efficient transition to renewable energy, because it can contribute to ensuring that we, as a society, derive greater economic benefit from the substantial investments made in wind power.

Borderless integration

"We are giving wind power away to our neighbours", it has been claimed in recent years. Various people have expressed concern that we, as a society, get too little out of our investments in wind power.

The market value of wind power will always be lower than the average price, because power generation depends on the weather. Its value can be measured in terms of the electricity price commanded by wind power in comparison with other forms of energy in Denmark and abroad. The market value gives an indication of the extent to which wind power is integrated in the electricity system in northern Europe, and how flexible the system is.

For the past ten years, the market value of wind power has been around 90% of the general electricity price in the Nordic electricity market. Consequently, Energinet.dk does not agree with the claim that we are giving our wind power away. Natural variations will be seen from one year to the next, and the market value should thus be based on the trend over a number of years.

Figure 4: Market value of wind power, Western Denmark

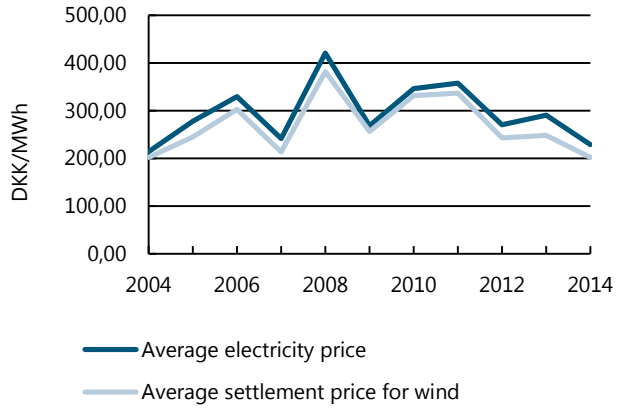
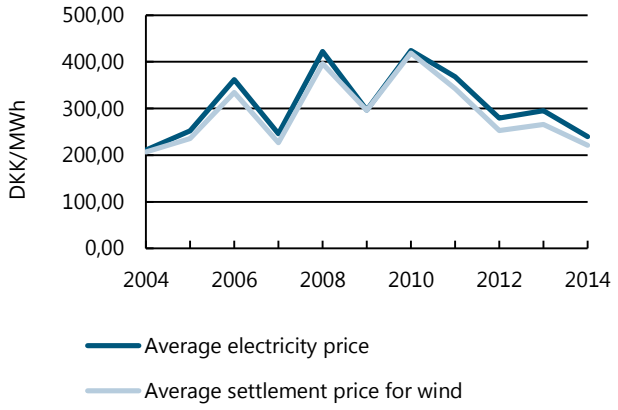


Figure 5: Market value of wind power, Eastern Denmark



Integration knows no borders, and Denmark is not alone in being able to influence the market value of wind power. Its value in the Nordic region can be increased by the ability of the entire Nordic electricity area to integrate national initiatives with pan-European solutions. Regardless of the extent to which integration succeeds, wind power can contribute to the Danish conversion in new ways. Wind power increases the potential for electrification and for phasing out fossil fuels.

Many paths to green transition

The transition to 100% renewable energy may take several paths. It may be based almost exclusively on wind power or on wind power supplemented with large volumes of biomass to mention the two most extreme scenarios out of the five presented by the Danish Energy Agency in 2014, and to which Energinet.dk contributed. The scenarios are part of the energy analyses ordered in connection with the energy agreement concluded in 2012. The five different scenarios represent different variants of the RE-based energy system of the future.

Electrification necessary

If Denmark chooses to go down the path of wind power, considerable socio-economic benefits can be derived from using electricity for more purposes than is the case today. The scenarios show, for example, that considerable benefits can be derived from letting far more heating be supplied from heat pumps installed in collective heating systems, from replacing petrol and diesel cars with electric vehicles and from using electricity in industrial processes which are currently based other energy sources.

However, analyses conducted by Energinet.dk show that it will also be necessary to use electricity for more purposes than is the case today if Denmark wants the green transition to be driven by more biomass. Regardless of the path chosen, there will be days in the future where the volumes of wind power generated far exceed electricity consumption; in fact, this already happens today. The low electricity prices which follow in the wake of large volumes of wind power are only rarely attributable to the wind turbines in Denmark. As described in the chapter on developments in the electricity price on page 21, for most of the year the Danish electricity price is already determined by neighbouring markets due to the massive investments in wind power in these areas. Regardless of the path taken by Denmark, our neighbours' wind power plans will mean that we will experience both the advantages and the disadvantages of large volumes of wind power. The Danish energy system must therefore be prepared for an electricity system with far more wind power than is the case today.

Electrification is lagging behind

With the inauguration of new offshore wind farms, most recently the 400 MW Anholt offshore wind farm, the Danish electricity system has in recent years followed the wind power scenario presented by the analyses. However, concurrently with the installation of new wind turbines, further conversions to biomass have taken place in the district heating sector, which is more in line with the two biomass scenarios. Conversely, at the end of 2014, only approx. 4 MW of electric heat pump capacity had been installed in the district heating system out of a potential 500 MW, which is deemed to be the optimum level from a socio-economic point of view. In 2014, an increase was, however, noted in the installed capacity of large electric immersion heaters from 447 to 527 MW. Also, more heat pumps are being installed in new houses in areas without district heating. The conversion from oil-fired and wood pellet boilers to heat pumps is taking place at a somewhat slower pace than what is considered socio-economically sensible by Energinet.dk.

The lack of electrification and the conversion to biomass by many CHP plants indicate that the planning of the heating and electricity sectors is not sufficiently coordinated, and that we are not making the most of the electrification potential. In the long term, this may lead to bad investments and the suboptimal use of our energy resources.

The lack of coordination is to a large extent due to the Danish energy agreements, which do not reward coordinated planning and electrification. It is therefore positive that an analysis of the Danish energy taxes and subsidies is now being conducted, which the committee under the Ministry of Taxation is expected to complete in 2015. The analysis is intended to establish whether the energy taxes are based on the right incentive structures, and pave the way for an equalisation of the taxes levied on various technologies. Energinet.dk is contributing data and analyses to the committee's work.

At the same time, Energinet.dk has been working with the local authorities in Denmark to strengthen their strategic energy planning. The local authorities pursue different objectives and focus on different themes, and their time-frames vary, but they must all contribute to Denmark's transition to renewable energy towards 2050. Energinet.dk provides knowledge and other types of input in our efforts to contribute to ensuring that the local authorities factor in the socio-economics, the security of supply and the need for a coherent energy system in their planning.

Small steps for RE gas

Energinet.dk's analyses have also identified that there is good potential for integrating the gas system with the other energy systems. However, this will require the

development of new gas technologies that can bridge the gap between the gas sector and the other sectors.

For a number of years, research and development has been conducted on various technologies for the production of RE gas based on waste and biomass, but also on wind power transformed into gas. In recent years, another focus area has been exploring the possibilities for using the gas infrastructure for transporting and storing RE gases. While electricity cannot be stored on a large scale, gas can be stored easily and inexpensively in large quantities. In other words, wind power can be stored in the form of gas when there is plenty of it and transformed back into electricity at times when the wind turbines are dormant. A large-scale demonstration project is currently testing how methane gas from waste-water sludge can be upgraded for use in the natural gas network. The upgrade takes place in electrolysis plants, which use electricity. The idea is thus to store surplus wind power as methane in the gas system. In 2014, Energinet.dk provided funding for the project as part of the ForskEL programme.

Corporate governance

Energinet.dk's corporate governance framework consists of regulatory requirements, the stock exchange rules applicable in Denmark, the Danish Recommendations on Corporate Governance and Energinet.dk's own internal rules. The management values are in compliance with the corporate governance principles and form the basis of Energinet.dk's internal governance model. The model describes the enterprise's framework, management structure and control environments.

Energinet.dk's framework

Energinet.dk is an independent public enterprise owned by the Danish Ministry of Climate, Energy and Building. The owner has ultimate authority over the enterprise within the framework laid down in legislation, and exercises its ownership rights in pursuance of the guidelines provided in the Danish Act on Energinet.dk (*Lov om Energinet.dk*) and in the Danish Executive Order on the Financial Regulation of Energinet.dk (*Bekendtgørelse om økonomisk regulering af Energinet.dk*).

Management structure

Energinet.dk's management structure

Energinet.dk is owned by the Danish state, represented by the Danish Minister for Climate, Energy and Building.

Energinet.dk's management structure consists of the Supervisory Board and the Executive Board. The two bodies are independent of each other, and no one person is a member of both bodies.

Role of the owner and cooperation with the company management

The Minister for Climate, Energy and Building meets on a quarterly basis with the Chairman of the Supervisory Board as well as other Supervisory Board members and Executive Board members, as required. It is important that the owner is continuously briefed on the enterprise's operations and the challenges it is facing.

Management's independence

Energinet.dk is certified as an ownership-unbundled transmission system operator (TSO) for electricity and gas pursuant to the Danish Electricity Supply Act (*Elforsyningsloven*) and the Danish Natural Gas Supply Act (*Naturgasforsyningsloven*). The independence requirements apply to Energinet.dk as such as well as to individuals holding managerial posts for Energinet.dk. For this purpose, the members of the Supervisory Board and the members of the Executive Board have signed solemn declarations guaranteeing their personal independence.

Table 2: Energinet.dk's governance model

FRAMEWORK	MANAGEMENT STRUCTURE	CONTROL
External framework: • Public authority requirements and legislation • Agreements and recommendations **Internal framework:** • Articles of association of Energinet.dk • Policies and principles • Certifications and approvals • Administrative basis	Danish Minister for Climate, Energy and Building ↕ Supervisory Board ↕ Executive Board ↕ Organisation	**External controls:** • Auditor General and PwC (external and internal audit) • Danish Energy Agency (inspectorate) • Danish Energy Regulatory Authority (finances and methods) **Internal controls:** • Internal audit • Risk management and internal control environment

Supervisory Board
On behalf of the owner, the Supervisory Board decides the overall strategy and actively contributes to developing the enterprise. The Supervisory Board supervises the Executive Board's decisions and transactions. The Supervisory Board consists of eleven members, eight of whom are appointed by the Minister for Climate, Energy and Building, while three members are elected by the employees. The employee-elected members of the Supervisory Board, who are elected for four years at a time, have the same rights, obligations and responsibilities as the other Supervisory Board members.

Nine Supervisory Board meetings were held in 2014. To ensure that the Supervisory Board is kept sufficiently well-informed of Energinet.dk's operations, the Executive Board participates in Supervisory Board meetings and has the right to speak, but has no voting rights. However, the Executive Board does not participate during the consideration of items on the agenda which are reserved for the Supervisory Board's internal discussions at the meetings.

Corporate governance practice
Corporate governance is an issue which Energinet.dk's Supervisory Board continuously discusses based on the enterprise's activities, external framework, history etc.

Corporate governance is a dynamic process in which the Management continually assesses the need for changes.

Energinet.dk has described its compliance with and reasons for deviating from the Danish Recommendations on Corporate Governance in accordance with Section 107b of the Danish Financial Statements Act (*Årsregnskabsloven*).

Supervisory Board's self-evaluation
Since 2009, the Supervisory Board has conducted an annual self-evaluation via anonymous questionnaires with scores on a scale of 1-5. The self-evaluation addresses issues such as the working climate and cooperation on the Supervisory Board, the Supervisory Board's cooperation with the Executive Board, the Supervisory Board's competencies as well as the overall organisation of its work, including the efficient chairing of the meetings by the Chairman. The results are considered by the Supervisory Board once a year at a meeting which is dedicated to this item.

In 2014, the scores in all the categories were between 4 and 5, which is on a par with the results in 2013. Every year, the scores have been at a very high level.

Energinet.dk's day-to-day management
The Supervisory Board has assigned the responsibility for Energinet.dk's daily operations to the Executive Board, which consists of the President and CEO, the Executive Vice President CFO and the Executive Vice President CTO. The Executive Board's responsibilities include the enterprise's organisation and the allocation of resources, the determination and implementation of strategies and policies, direction and targets as well as timely reporting and information to the Supervisory Board, the owner and Energinet.dk's stakeholders. The Supervisory Board appoints the CEO and the executive vice presidents, decides their remuneration and supervises their performance.

Stakeholder Forum
In addition to the interaction with its owner, Energinet.dk also has an advisory Stakeholder Forum. The Stakeholder Forum is appointed by the Minister for Climate, Energy and Building and submits opinions to Energinet.dk's Management on the enterprise's overall strategies and plans with a view to supporting its development.

Remuneration of the Executive Board, Supervisory Board and Stakeholder Forum
It is a requirement for realising Energinet.dk's strategy and targets that the enterprise is able to attract and retain competent and committed employees and managers. This is achieved, among other things, by offering market-level terms of employment and compensation.

Remuneration of the Executive Board
The Chairman of the Supervisory Board proposes the remuneration for the Executive Board members, which must subsequently be approved by the Supervisory Board. Each year, the remuneration is compared with remuneration levels in similar large Danish enterprises, and the remuneration is also compared to corresponding positions in comparable enterprises.

The remuneration of the Executive Board consists of a fixed basic pay, a pension contribution and the same benefits as other executive employees, excluding bonus schemes. The pension contribution may be converted to fixed pay.

Energinet.dk may terminate contracts with Executive Board members subject to twelve months' notice, and Executive Board members may resign from Energinet.dk subject to six months' notice.

Table 3: Remuneration of Management in 2014(DKK million)

Remuneration of Executive Board in 2014

DKKm	Fixed salary	Pension	Other payments	Total
Peder Ø. Andreasen	3,3	0,5	0,1	3,9
Torben Glar Nielsen	1,8	0,3	0,1	2,2
Torben Thyregod	2,4	0,0	0,2	2,6
Executive Board, total	**7,5**	**0,8**	**0,4**	**8,7**

Composition of remuneration of Executive Board and Supervisory Board in 2014

	Executive Board	Supervisory Board	Stakeholder Forum
Fixed basic pay	Yes	Yes	Yes
Cash bonus scheme	No	No	No
Share-based incentive scheme	No	No	No
Severance payment	12 months	No	No
Pension	0-15%	No	No
Remuneration for committee work and ad hoc tasks	No	No	No
Travel allowances *)	Yes	Yes	Yes
Other payments	Yes	No	No

*) reimbursed according to vouchers submitted

Remuneration of the Supervisory Board

The remuneration for the Supervisory Board is a fixed basic remuneration. The remuneration amounts to DKK 400k a year for the Chairman and DKK 125k a year for the other members. The remuneration is determined by the enterprise's owner.

Remuneration of the Stakeholder Forum

The chairman of the Stakeholder Forum receives annual remuneration of DKK 35k.

No remuneration is paid to the other members of the Stakeholder Forum.

Transactions with related parties

A member of the Executive Board has received DKK 196k for wind power supplied from his privately owned wind turbine in accordance with the applicable rules.

Table 4: Principles for internal controls

Internal controls and risk management in connection with financial reporting

The Supervisory Board has the overall responsibility for the risk management and internal controls in connection with the financial reporting. Energinet.dk's internal controls are planned with a view to reducing the risk of irregularities and material errors in the internal and external reporting. The internal control system is designed on the basis of the COSO (Committee of Sponsoring Organizations) framework.

Energinet.dk's control environments

External auditors

Pursuant to the Act on Energinet.dk, Energinet.dk's annual report must be audited by the Office of the Auditor General in accordance with the Danish Financial Statements Act (*Årsregnskabsloven*) and the Audit of State Accounts etc. Act (*Lov om revisionen af statens regnskaber m.m.*).

The Supervisory Board presents Energinet.dk's annual report. As auditor for Energinet.dk, the Auditor General reports to the Supervisory Board.

The Auditor General may report on the audit to the members of the Danish Public Accounts Committee at their request and on his own initiative. Any report to the members of the Danish Public Accounts Committee is presented in draft form to the Minister for Climate, Energy and Building for comments.

Internal auditors

The internal audit in Energinet.dk is handled by a state-authorised public accountant who also audits the financial statements of Energinet.dk's subsidiaries. It has been agreed that the details of the tasks to be performed in connection with the internal audit and the relationship with the Auditor General are governed by Section 9 of the Danish Auditor General Consolidation Act (*Rigsrevisorloven*).

Based on a tender process, the audit firm PwC has been chosen to perform the internal audit. The Auditor General supervises the internal audit.

Internal audit committee

Energinet.dk has set up an internal audit committee which reports to the CFO. The committee consists of the CFO, Rigsrevisionen, internal audit as well as key employees from Risk Management and Accounting and Reporting. The purpose of the committee is to strengthen the control environment by supporting balanced risk management, effective internal management and financial reporting. The committee also assists the Supervisory Board in supervising the external audit and ensuring the effectiveness of the whistle-blowing scheme.

It is the opinion of the Supervisory Board that the current organisation adequately safeguards an efficient control environment.

Risk management and internal control environment
Energinet.dk has established processes which help to ensure that the risk management is handled in conformity with the rules of procedure of the Supervisory Board.

The Executive Board is responsible for ensuring a systematic, integrated process for ongoing risk assessment, and lays down the overall strategy for the ongoing risk management, for example also making certain that the risk management supports the overall internal control environment.

Whistle-blowing scheme
Energinet.dk has decided to implement a whistle-blowing scheme with a view to enabling employees or other stakeholders to anonymously report suspected violations of ethical guidelines and financial fraud.

The whistle-blowing scheme, which has been established via an external supplier and approved by the Danish Data Protection Agency (*Datatilsynet*), entered into force on 1 August 2012.

No incidences were reported via the scheme in 2014.

READ MORE

Energinet.dk under scrutiny

In 2014, the Danish government's Committee for the Regulation of Electricity presented its recommendations for the regulation of the Danish electricity sector, including Energinet.dk.

Energinet.dk executes its important social tasks in a good and competent manner, was the committee's overall conclusion when presenting its recommendations for the regulation of the Danish electricity sector towards the end of 2014. The committee wants regulation in future to ensure the same high security of supply as we know today, to support the green transition, to promote an international electricity market, to increase competition, to create a cost-effective sector and a predictable framework for the market players. At the same time, the committee is calling for a clearer institutional framework for Energinet.dk. This will be achieved, for example, through economic regulation, international benchmarking and a clearer division of roles and responsibilities. The committee's recommendations reflect a growing need in the world for a more transparent governance structure in Energinet.dk. The recommendations are also aligned with a number of organisational changes introduced in 2014 to strengthen Energinet.dk's governance.

In spring 2015, the report will be followed up by a control and cost analysis, which will shed light on the economic regulation and streamlining of Energinet.dk.

Energinet.dk welcomes the Committee for the Regulation of Electricity's views and recommendations. The objectives point in the same direction as Energinet.dk's new strategy plan.

Stronger collaboration forums
In going about its business, Energinet.dk wants to strengthen its collaboration with stakeholders in the future so as to meet the expectations of increased openness and influence.

In 2014, Energinet.dk implemented a new collaboration and consultation model. The purpose of the model is to provide stakeholders with an overview of the collaboration forums which offer the best opportunities for dialogue and influence. The new model is intended to help forge stronger relations with stakeholders.

Supervisory Board

Supervisory Board from left: Peter Møllgaard, Birgitte Kiær Ahring, Carl Erik Madsen, Charlotte Møller, Per Sørensen, Niels Fog, Berit Schilling, Hans Simonsen, Poul Erik Morthorst, Hanne Søndergaard, Jess Bernt Jensen

Niels Fog, Chairman
MSc (Economics and Business Administration) and businessman
Appointed to the Supervisory Board by the Minister for Climate, Energy and Building in 2005 and reappointed in 2007, 2008, 2010, 2012 and 2014.
The appointment expires on 30 April 2016.
Other directorships:
- Chairman of the Board of Directors of Datacon A/S
- Member of the Board of Directors of BRF Holding A/S, Fog Holding A/S and BRF Fonden
- CEO of Fog Holding A/S

Birgitte Kiær Ahring
MSc (Biology), PhD, Professor of Biotechnology at Aalborg University
Appointed to the Supervisory Board by the Minister for Climate, Energy and Building in 2005 and reappointed in 2007, 2008, 2010, 2012 and 2014.
The appointment expires on 30 April 2016.
Other directorships:
- Chairman of the Board of Directors of BioContractors A/S and CleanVantage LLC
- Member of the Board of Directors of Addition Consulting A/S
- CEO of BioContractors A/S

Charlotte Møller
MSc (Economics), Director of Finance, PFA Pension
Appointed by the Minister for Climate, Energy and Building on 1 May 2013, reappointed in 2014.
The appointment expires on 30 April 2016.
Other directorships:
- Member of the Board of Directors of PFA Bank A/S, PFA Asset Management A/S and PFA Kapitalforening

Hanne Søndergaard
Senior Vice President of Global Categories and Brand, Arla
Appointed to the Supervisory Board by the Minister for Climate, Energy and Building in 2010, reappointed in 2012 and 2014. The appointment expires on 30 April 2016.
Other directorships:
- Chairman of the Board of Directors of Annelise og Tage Søndergaards Fond, Ejendomsselskabet af 2/1 1989 Esbjerg and Tage Søndergaard Holding A/S
- Member of the Board of Arla Fonden
- CEO of Andelssmør a.m.b.a.

Hans Simonsen
Engineer, Diploma in Economics
Appointed to the Supervisory Board by the Minister for Climate and Energy in 2012, reappointed in 2014.
The appointment expires on 30 April 2016.
Other directorships:
- Member of the Board of Directors of Folker A/S

Per Sørensen
Engineer, Diploma in Economics. Appointed to the Supervisory Board by the Minister for Climate, Energy and Building in 2010, reappointed in 2012 and 2014.
The appointment expires on 30 April 2016.
Other directorships:

- Member of the Board of Directors of Delpro Holding A/S and B4F S.M.B.A.

Peter Møllgaard
MSc (Economics), PhD, Professor of Industrial Organisation at Copenhagen Business School (CBS). Appointed to the Supervisory Board by the Minister for Climate, Energy and Building in 2005 and reappointed in 2007, 2008, 2010, 2012 and 2014.
The appointment expires on 30 April 2016.
Other directorships:

- None

Poul Erik Morthorst
MSc (Economics), Professor, DTU Management Engineering, Risø. Appointed to the Supervisory Board by the Minister for Climate, Energy and Building in 2005 and reappointed in 2007, 2008, 2010, 2012 and 2014.
The appointment expires on 30 April 2016.
Other directorships:

- None

Berit Schilling
Settlement Coordinator, Finance. Employee-elected; joined the Supervisory Board on 1 March 2013.
The term of office expires on 23 August 2015.
Former member of the Supervisory Board from 24 August 2007 to 23 August 2011.
Other directorships:

- None

Carl Erik Madsen
Electronics Engineer, Relay Technician in Electricity Transmission. Employee-elected; joined the Supervisory Board in 2007, re-elected in 2011.
The term of office expires on 23 August 2015.
Other directorships:

- None

Jess Bernt Jensen
Chief Consultant, Gas Market. Employee-elected; joined the Supervisory Board in 2011.
The term of office expires on 23 August 2015.
Other directorships:

- None

Executive Board

Executive Board from left: Torben Glar Nielsen, Peder Ø. Andreasen, Torben Thyregod

Peder Ø. Andreasen, President and CEO
Other directorships:

- Chairman of the Board of Directors of four of Energinet.dk's wholly owned subsidiaries
- Member of the Board of Fonden Lindoe Offshore Renewables Center

Torben Thyregod, Executive Vice President, CFO
Other directorships:

- Chairman of the Board of Directors of Ambitious Investment ApS
- Member of the Board of Directors of four of Energinet.dk's wholly owned subsidiaries, Airport Terminal A ApS and its holding company TOKE Holding ApS as well as Grapevine ApS
- CEO of Torben Thyregod Holding ApS and Application Producers ApS, Airport Terminal A ApS and Grapevine ApS

Torben Glar Nielsen, Executive Vice President, CTO
Other directorships:

- Chairman of the Board of Directors of one of Energinet.dk's wholly owned subsidiaries
- Member of the Board of Energimuseet

Stakeholder Forum

Chairman
Anne Grethe Holmsgaard, CEO, BioRefining Alliance

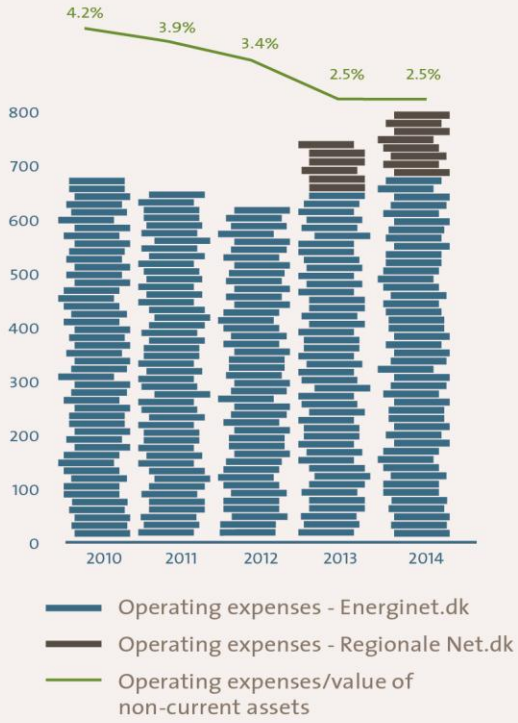
Members
Allan Kjersgaard, Consultant, Danish Waste Association
Asbjørn Bjerre, Manager, Danish Wind Turbine Owners' Association
Birte Holst Jørgensen, Deputy Head of Department, DTU Management Engineering
Erik Nørregaard Hansen, Manager, Association of Danish CHP Enterprises (*Foreningen af Danske Kraftvarmeværker*)
Frede Hvelplund, Professor, Department of Development and Planning, Aalborg University
Henrik Lilja, Energy-political Consultant
Ingeborg Ørbech, Consultant, Confederation of Danish Industry
Jacob Østergaard, Professor, Head of Centre, DTU Electrical Engineering
Jens Astrup Madsen, Energy Manager, Danish Agriculture & Food Council
Jens Hoff, Professor, Department of Political Science, University of Copenhagen
Jette Miller, CEO, The Free Energy Companies (*De Frie Energiselskaber*)
Kim Mortensen, CEO, Danish District Heating Association (*Dansk Fjernvarme*)
Lars Otto, Senior Consultant, Danish Economic Councils' secretariat
Lene Ertner, Head of Division, TL Ringsted
Louise Hahn, Head of Private Customers, DONG Energy
Marianne Eriksen, CEO, NEF Fonden
Michael Mikkelsen, Manager, Scanenergi
Morten Blarke, Energianalyse.dk
Nils Ove, Head of Administration, Aalborg Forsyning
Sine Beuse Fauerby, climate-political employee, Danish Society for Nature Conservation
Stine Leth Rasmussen, Head of Division, Danish Energy Association
Svend Erik Jensen, negotiating secretary
Tine Skovlund, Senior Consultant, HMN natural gas I/S
Ulrik Stridbæk, Head of Group Regulatory Affairs, DONG Energy

2014

Financial highlights

With the exception of the company's commercial activities, Energinet.dk is subject to a break-even principle.

In recent years, Energinet.dk has reduced its operating expenses from 4.2% of plant value in 2010 to 2.5% in 2014. The goal is 2.2% in 2017.



Fixed asset investments
2014: DKK 4.6bn
2013: DKK 3.2bn

Revenue
2014: DKK 10.4bn
2013: DKK 9.5bn

Interest-bearing debt
2014: DKK 21.8bn
2013: DKK 18.4bn

Employees
2014: 738
2013: 680

Financial review

With the exception of the enterprise's commercial activities, Energinet.dk is subject to a break-even principle for all business segments. The principle entails that the results for the year consist solely of the statutory capitalisation of the contributed capital, the profit or loss from commercial activities as well as other adjustments not included in the tariffs in coming years. Energinet.dk ensures this regulatory balance by continuously adapting the PSO, electricity and gas system tariffs.

Temporary differences between income and expenses are considered as either receivables from or debt to consumers – also called excess revenue/deficit – and therefore do not affect the results for the year, but merely constitute a periodical change in liquidity between the years, depending on the difference between expenses paid and tariffs charged.

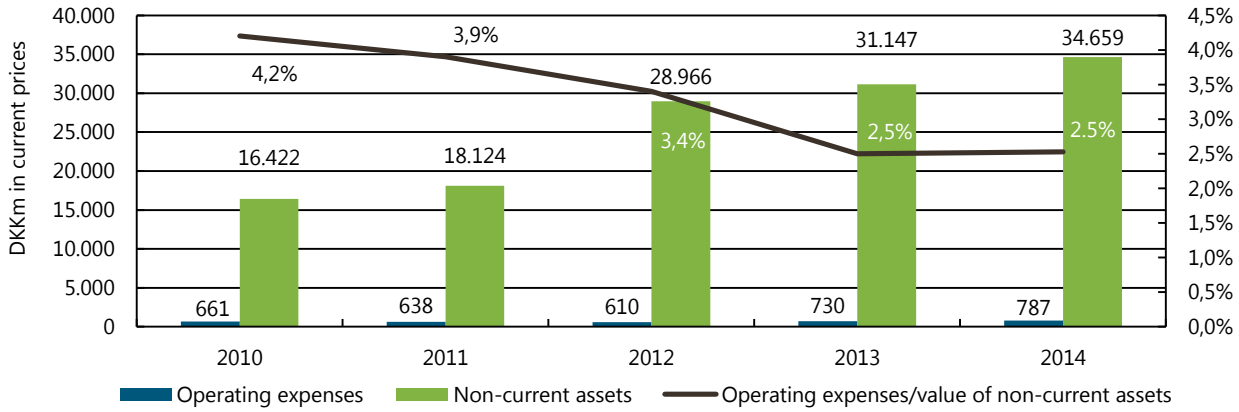
A net loss of DKK 125 million was posted for 2014. The loss is primarily attributable to the transfer of previously saved congestion rents to the tariffs as a result of the energy agreement in 2012. This has a negative effect of DKK 126 million. Moreover, the results for the year were affected by a number of conflicting factors with a net positive effect of DKK 1 million. These factors include, among other things, adjustment of deferred tax and the profit or loss from commercial activities which is not included in the tariffs.

The results realised for 2014 are down DKK 162 million on 2013. The decline is primarily attributable to the net provision for congestion rent being DKK 122 million lower than last year. In addition, the EU subsidies received in 2014 were lower than last year as the costs eligible for subsidies were lower. This adversely affects results by DKK 77 million. Finally, decommissioning of the Kassø-Tjele section and in connection with the laying of the submarine cable across the Little Belt has commenced, which can be included in the tariffs. On this basis, the results were positively impacted by DKK 40 million compared with 2013. Other factors, such as the adjustment of deferred tax etc., have a negative impact of DKK 3 million.

As mentioned above, Energinet.dk is not obliged to generate a profit, which makes it difficult to document efficiency in a traditional sense. For example, it is not possible to calculate a meaningful EBITDA margin for the enterprise, nor does calculating the return on the invested capital make much sense.

As non-current assets constitute a major item in Energinet.dk's balance sheet, operational efficiency is a key focus area. The enterprise's efficiency is therefore calculated as operating expenses relative to the carrying amount of the assets.

Table 5: Operating expenses and non-current assets 2010-2014



On 20 August 2012, Energinet.dk took over ten regional electricity transmission companies. This resulted in a marked increase in total assets and the potential for realising savings and efficiency increases in the operation of the electricity transmission grid.

The ten regional companies have now been merged into Energinet.dk, and the considerable potential for efficiency increases based on economies of scale is being realised.

As regards the realisation of the potential efficiency increases, an important tool is the implementation of asset management, which results in a more systematic and risk-based approach to handling all tasks relating to the infrastructural value chain from development to disposal. Asset management focuses on the total lifecycle costs of the assets, and the aim is for efficient asset management to optimise both construction costs and operating expenses, concurrently with strict risk management.

Asset management and other efficiency measures, such as standardised design and procurement based on larger contracts and purchases being made for more projects at a time, have meant that Energinet.dk has doubled its assets since 2010 while only marginally increasing operating expenses.

As can be seen from table 4, the cost ratio has been reduced from 4.2% in 2010 to 2.5% in 2014. The total operating expenses amounted to DKK 787 million in 2014. In 2010, the figure was DKK 661 million. By comparison, assets have increased from DKK 16,422 million in 2010 to DKK 34,659 million in 2014.

Further streamlining of operations will be achieved by optimising and automating processes and work procedures through the increased use of asset management, process optimisation and economies of scale in connection with procurement and the expansion of the electricity and gas infrastructure.

Energinet.dk aims to reduce its operating expenses to value of fixed assets ratio to 2.2% by 2017.

Comments on the operating results, the impact on tariffs and the expenses for Energinet.dk's four business segments are provided in the following sections in the financial review.

Segmental income statement

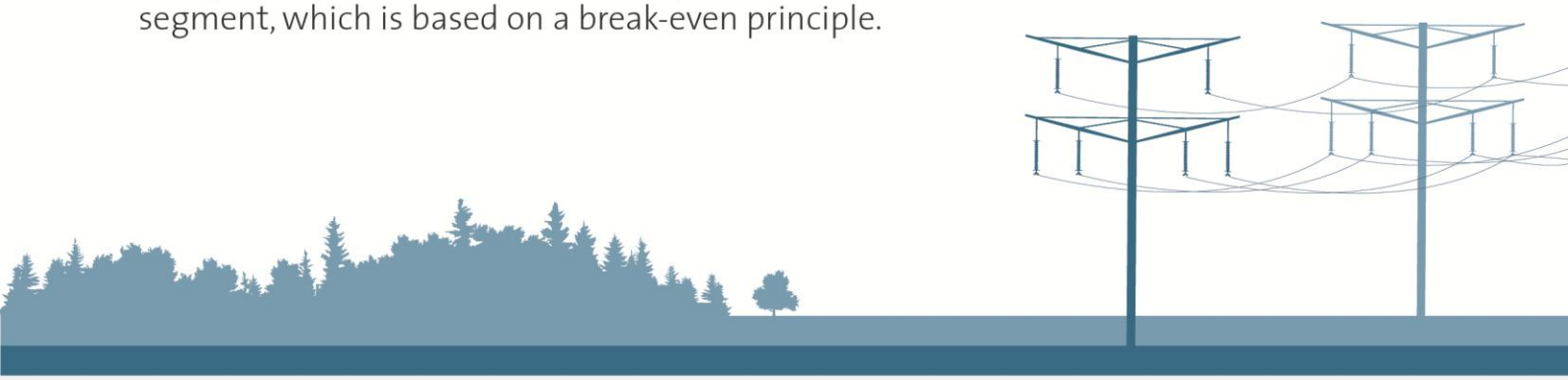
Segmental income statement DKKm	Electricity system	Environmentally friendly energy – PSO	Gas system	Commercial activity	Eliminations*	Annual report 2014	Annual report 2013
Tariff income	2,256	6,908	318	0	0	9,482	8,451
Congestion rents	534	0	0	0	0	534	601
Fee for balancing the electricity system	166	0	0	0	0	166	164
Power generation subsidies	0	0	0	0	0	0	48
Other income	18	0	97	168	-34	249	217
Revenue	2,974	6,908	415	168	-34	10,431	9,481
Excess revenue/deficit	187	413	177	0	0	777	-196
EU grants	1	0	41	0	0	42	130
Other operating income	0	0	-4	10	0	6	54
Total income	3,162	7,321	629	178	-34	11,256	9,469
Subsidies for energy production	0	-6,854	0	0	0	-6,854	-5,165
Subsidies for R&D	0	-180	0	0	0	-180	-179
Other energy costs	0	-251	-1	-3	0	-255	-251
Compensation for grid losses	-374	0	0	0	0	-374	-153
Purchase of regulating power	-133	0	0	0	0	-133	-101
Payment for reserves/storage capacity	-735	0	-219	0	34	-920	-823
Expenses relating to foreign grids	-56	0	0	0	0	-56	-50
Payment for inspections	-30	0	-8	0	0	-38	-61
Other external operating expenses	-346	0	-54	-38	0	-438	-406
Total external expenses	**-1,674**	**-7,285**	**-282**	**-41**	**34**	**-9,248**	**-7,189**
Staff costs	-251	0	-89	-9	0	-349	-324
Total costs	-1,925	-7,285	-371	-50	34	-9,597	-7,513
Depreciation, amortisation and impairment losses for tangible and intangible assets	-1,093	-31	-170	-76	0	-1,370	-1,910
Operating profit/loss	144	5	88	52	0	289	46
Net financials	-309	-5	-84	-36	0	-434	-429
Profit/loss before tax	-165	0	4	16	0	-145	-383
Tax on profit/loss for the year	27	0	-2	-5	0	20	420
Net profit/loss for the year	-138	0	2	11	0	-125	37

*) After eliminations

ELECTRICITY

Business segment: Power system

Energinet.dk collects tariffs for the operation of the business segment, which is based on a break-even principle.



Grid and system tariffs

6.9

øre/kWh 2014

6.9

øre/kWh 2013

Overhead lines

2014: 4,800 km
2013: 4,900 km

Submarine and land cables

2014: 2,100 km
2013: 1,900 km

Interconnections

2014: 10
2013: 9

Investments

2014: DKK 2,323m
2013: DKK 3,020m

Revenue

2014: DKK 2,974m
2013: DKK 3,219m

Table 6: Electricity system

DKKm	2014	2013
Income statement		
Revenue	2,974	3,219
Costs	-1,925	-1,668
Depreciation, amortisation and impairment losses	-1,093	-1,039
Net financials	-309	-358
Net profit/loss for the year	-138	219
Excess revenue/deficit for the year*	187	-150
Balance sheet		
Non-current assets	25,750	24,602
Balance sheet total	26,739	25,896
Acc. excess revenue/deficit*	44	-144

*) + = deficit, – = excess revenue

Business segment

Energinet.dk owns, operates and develops the Danish electricity transmission grid and interconnections. At present, there are interconnections to Sweden, Norway and Germany, and Energinet.dk is planning new interconnections to the Netherlands and the UK. The enterprise is responsible for ensuring the sufficient supply of electricity, a well-functioning electricity market and the cost-effective integration of renewable energy. Electricity consumers pay for these services via grid and system tariffs.

A high level of security of supply is maintained, in particular, through the efficient daily operation of the electricity system, collaboration with neighbouring TSOs, the procurement of ancillary services and the optimised maintenance and expansion of the electricity transmission grid. In this way, electricity consumption and power generation are balanced at all hours of the day and night.

Well-functioning international wholesale and retail markets are a prerequisite for Danish households, enterprises and institutions being able to purchase electricity at prices based on genuine and fair competition and for the electricity producers being able to sell their electricity. They are also a prerequisite for the cost-effective green transition of the energy system. For this reason, Energinet.dk is working, for example through ENTSO-E, the European Network of Transmission System Operators for Electricity, to develop and adapt the market design and to develop a cross-border retail market, which will enable consumers to contribute to creating a flexible and efficient energy system.

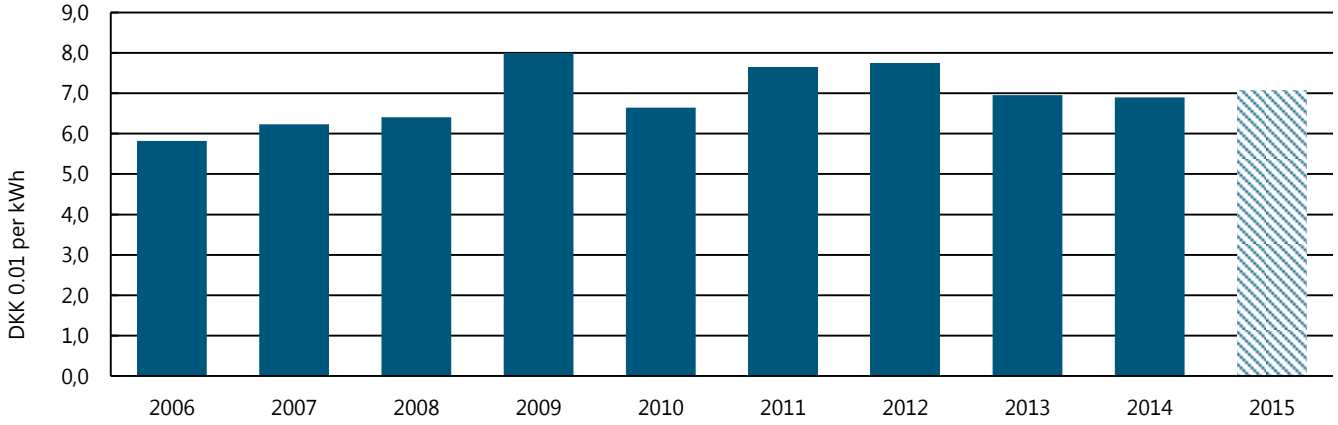
Energinet.dk actively supports the efficient transition to an electricity system with 50% renewable energy in 2020, and in the longer term, an energy system based on 100% renewable energy. Among other things through holistic planning, socio-economic investments in the electricity infrastructure, international cooperation and research, development and demonstration projects, Energinet.dk is working to develop a flexible energy system capable of efficiently integrating renewable energy across the electricity, gas, heating and transport sectors.

Investments

With a view to integrating more renewable energy into the Danish electricity system and maintaining the high level of security of electricity supply, investments of DKK 2.3 billion were made in 2014, among other things in a number of major construction projects.

In 2014, Energinet.dk completed a new and more powerful 400 kV connection between Kassø near Aabenraa and

Table 7: Development in grid and system tariffs (fixed 2014 prices)



Tjele near Viborg. The total investment amounted to DKK 2.6 billion, of which DKK 265 million was incurred in 2014.

Moreover, a new 700 MW connection between Tjele near Viborg and Kristiansand in Norway was finished. The so-called Skagerrak 4 connection is the fourth submarine cable connecting the Danish and Norwegian power grids. The total investment amounts to DKK 3.3 billion, with Denmark contributing DKK 1.8 billion, of which DKK 298 million was invested in 2014.

Continued focus on efficiency

Energinet.dk is constantly seeking to increase efficiency and balance the enterprise's finances with its socio-economic value creation.

As regards the efficiency of operations, a number of ambitious corporate objectives have been defined for the coming years:

- Further reduction of operating expenses when measured against the total value of non-current assets
- Significant reduction of the costs incidental to grid losses and ancillary services
- Reduction of unit costs for new installations.

As part of the efforts to fulfil the corporate objectives, in summer 2014 the Electricity system business segment was certified in accordance with PAS 55: Asset Management.

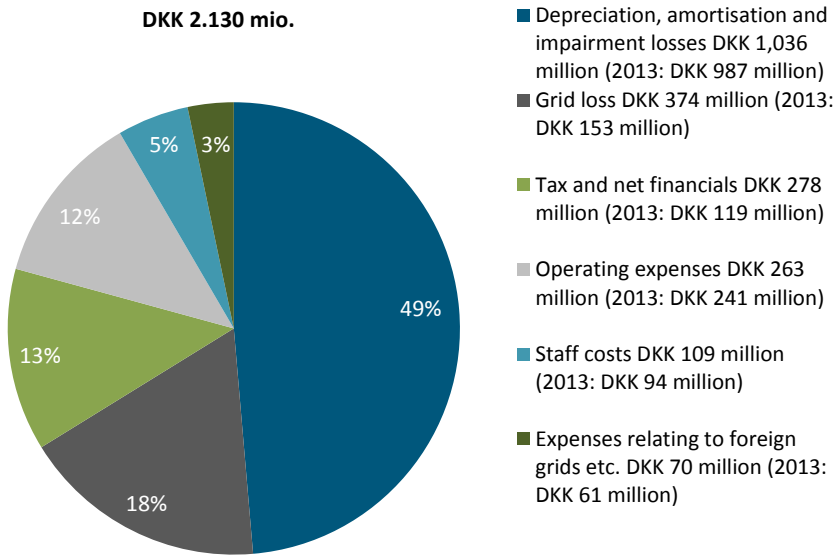
In PAS 55, asset management is defined as the systematic and coordinated activities through which an organisation controls its assets, systems, results, risks and costs in an optimum and sustainable way through the entire lifecycle of the assets for the purpose of systematically realising the enterprise's strategic objectives and plans.

The purpose of Energinet.dk's asset management system is to contribute to ensuring that the complete asset lifecycle, from idea to disposal, is as reliable and efficient as possible. This creates the best preconditions for maximising the socio-economic value of the investments.

The certification of Energinet.dk's electricity system business segment was conducted by Lloyd's Register from the UK. The audit of the asset management system for the electricity system was carried out in June 2014; it included, among other things, development and construction projects, maintenance work, the control centre, portfolio management, official approval procedures, tools and instruments and risk management.

Energinet.dk will continue to work with asset management with a view to creating added value through the

Table 8: Grid tariff costs



Of the DKK 2,130 million, DKK 1,590 million is included in the tariff, as congestion rents and other income totalling DKK 540 million are offset against the tariff base. (2013: DKK 622 million).

continuous improvement of coherent and efficient work processes and sound risk management.

Grid and system tariffs

The grid tariff covers the costs associated with operating and maintaining the main electricity grid (132/150 kV and 400 kV) as well as the international connections. The costs mainly take the form of depreciation and amortisation, grid losses and financial items. The total costs of DKK 2,130 million in 2014 were reduced by congestion rents etc., which in 2014 amounted to DKK 540 million.

The system tariff covers the costs associated with maintaining security of supply, primarily purchases of reserves and regulating power. In addition, the system tariff covers depreciation and amortisation, staff costs, operating expenses and inspection costs. In 2014, the total costs of DKK 1,170 million were reduced by income from the balance market etc. in the amount of DKK 178 million.

In 2014, the net grid and system costs totalled DKK 2,582 million, corresponding to an average grid and system tariff of DKK 0.069 per kWh before repayment of the accumulated excess revenue.

Risk and sensitivity

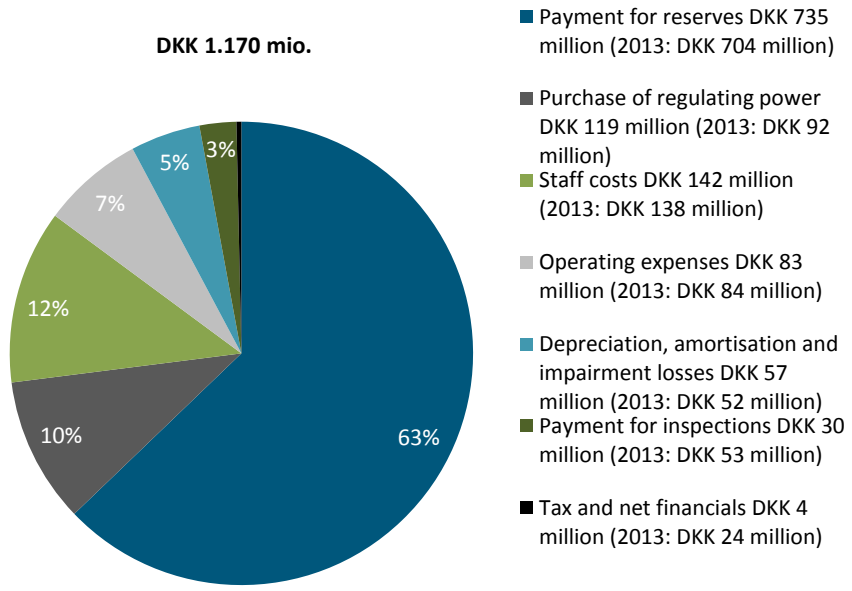
A variety of different factors influence the electricity transmission grid which may also impact costs and thereby tariffs.

At times, cables, overhead lines and substations are affected by faults due to age, short-circuiting, wind and weather conditions etc. For example, a faulty submarine cable entails, among other things, costs of repairing the damage, compensation for wind turbine owners in the case of cables to offshore wind farms, or loss of congestion rents in the case of submarine cables to neighbouring countries. For example, a fault on the cable to the Anholt offshore wind farm would cost up to DKK 2 million a day.

The expected decommissioning of power stations in the coming years will put further pressure on the market for reserve capacity, which contributes to maintaining the security of supply. This can lead to an increase in the price of reserve capacity.

A cost increase of DKK 100 million results in an increase in the grid and system tariff of DKK 0.002 per kWh, corresponding to 4%.

Table 9: Costs covered by system tariff



Of the DKK 1,170 million, DKK 992 million is included in the tariff, as balance income and other income totalling DKK 178 million are offset against the tariff base. (2013: DKK 183 million).

Financial results

The business segment is managed according to a break-even principle where any excess revenue/deficit for the year is repaid or collected in the following year.

The segment posted revenue of DKK 2,974 million in 2014, down DKK 245 million on 2013. The fall is primarily attributable to a decline in tariff income of DKK 110 million as a result of lower electricity consumption in Denmark, and to the fact that congestion rents fell by DKK 67 million, mainly as a result of congestion on the connection between Jutland and northern Germany.

Relative to 2013, external expenses were up by DKK 238 million in 2014, primarily due to an increase in grid loss costs of DKK 221 million relative to 2013. This was to be expected, as the grid loss costs were extraordinarily low in 2013 due to a correction of the grid loss for the period 2007-2013.

In 2014, Energinet.dk purchased reserve capacity in the total amount of DKK 735 million against DKK 704 million in 2013. The increase is mainly due to forced operation costs. The low market prices of electricity meant less of an incentive for power stations to maintain operations, and at times Energinet.dk therefore had to pay the power stations to do so.

A net loss of DKK 138 million was posted, and the accumulated deficit at the end of 2014 was DKK 44 million.

Outlook 2015

In 2015, the grid and system tariffs will be DKK 0.071 per kWh, representing an increase of 2.8% on 2014. The increase is primarily attributable to increased depreciation and investment costs. In the coming years, a high level of investments will in itself lead to increasing tariffs. However, this is expected to be offset to a significant extent by congestion rents on the interconnections and efficiency increases leading to lower energy costs and operating expenses.

In 2015, the costs of ancillary services are expected to fall by approx. DKK 85 million relative to 2014, amounting to a cost of approx. DKK 650 million. At the same time, grid loss costs are expected to be approx. DKK 20 million higher than in 2014, primarily due to the commissioning of two synchronous condensers and Skagerrak 4.

The investment level will remain high in the coming years. Energinet.dk expects investments in the Electricity system business segment of approx. DKK 2,800 million in 2015, which is approx. DKK 400 million higher than in 2014. In 2015, investments will relate primarily to the grid connection of the Horns Rev 3 offshore wind farm.

PSO

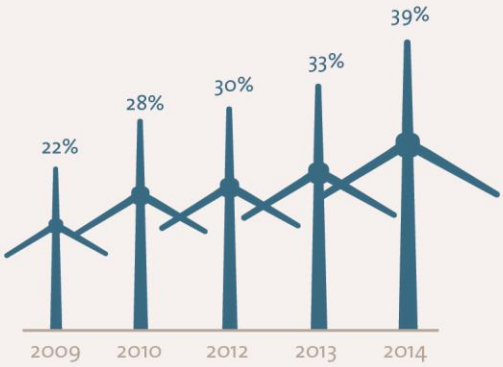
Business segment: Promotion of environmentally friendly energy – PSO

Energinet.dk collects and administers public subsidies for environmentally friendly energy – the so-called public service obligations.

Subsidies for environmentally friendly energy
2014: DKK 6,854m
2013: DKK 5,117m

Subsidies for research
2014: DKK 180m
2013: DKK 180m

Wind power share of electricity consumption



Capacity eligible for subsidies

Wind turbines
2014: 4,897 MW
2013: 4,822 MW

Local CHP plants
2014: 2,022 MW
2013: 2,035 MW

Solar cells
2014: 609 MW
2013: 561 MW

Table 10: PSO

DKKm	2014	2013
Income statement		
Revenue	6,908	5,734
Costs	-7,285	-5,535
Excess revenue/deficit for the year*	413	-143
Balance sheet		
Non-current assets	405	436
Balance sheet total	1,931	1,875
Acc. excess revenue/deficit*	654	242

*) + = deficit, – = excess revenue

Business segment

On behalf of society, Energinet.dk undertakes a number of statutory tasks that are primarily designed to realise the political ambitions of strengthening environmentally friendly energy. These tasks are known as PSOs or public service obligations. Electricity consumers pay for these services via the PSO tariff.

To enable the conversion to renewable energy, it is necessary to support environmentally friendly electricity generation and the development of new technologies. Energinet.dk is therefore obliged to provide funding for environmentally friendly electricity generation which cannot compete on market terms, and support research and development within environmentally friendly electric technologies and energy efficiency measures.

PSO for electricity

Energinet.dk subsidises power generated by wind turbines and other renewable energy installations, waste, natural gas, biogas or biomass-fired local CHP plants as well as biomass-fired central CHP plants. Energinet.dk also pays compensation to local plants which have paid CO_2 taxes on fuels for power generation.

The subsidies for renewable energy and local CHP generation are designed to ensure that most producers are guaranteed a fixed price (income) which is independent of the current market price.

Energinet.dk pays the subsidy in four different ways:

1. Energinet.dk buys the power generated at a guaranteed price and then sells it on the Nord Pool Spot exchange. The deficit is included in the PSO costs. This settlement method is used for a small proportion of the land-based wind turbines and small local CHP plants.

2. Energinet.dk pays a subsidy which depends on the market price of electricity. The subsidy corresponds to the difference between a settlement price guaranteed under the Danish Act on the Promotion of Renewable Energy (Lov om fremme af vedvarende energi) and the market price on the Nord Pool Spot exchange. This settlement method is used for wind turbines and other RE facilities.

3. Energinet.dk pays a fixed subsidy per kWh to producers selling their own power generation on the market. This settlement method is used for land-based wind turbines and other RE facilities.

4. Energinet.dk supplements the income up to a guaranteed level for producers selling their own power

generation on the market. This means that they receive a monthly subsidy that varies depending on the price of electricity. This settlement method is used for large local CHP plants.

In most cases, the size of the subsidy varies depending on the market price of electricity.

Subsidies for R&D

Energinet.dk supports research, development and demonstration projects on environmentally friendly electricity generation technologies for the benefit of society and the development of the Danish energy systems.

Energinet.dk has a politically determined annual budget of DKK 130 million for supporting research, development and demonstration of environmentally friendly electricity generation technologies. The programme is known as ForskEL.

In addition to the ForskEL programme, Energinet.dk administers the ForskVE programme, which is a subsidy programme supporting the dissemination of solar cell, wave power and biogasification technologies with DKK 25 million a year. The ForskVE programme ends in 2015.

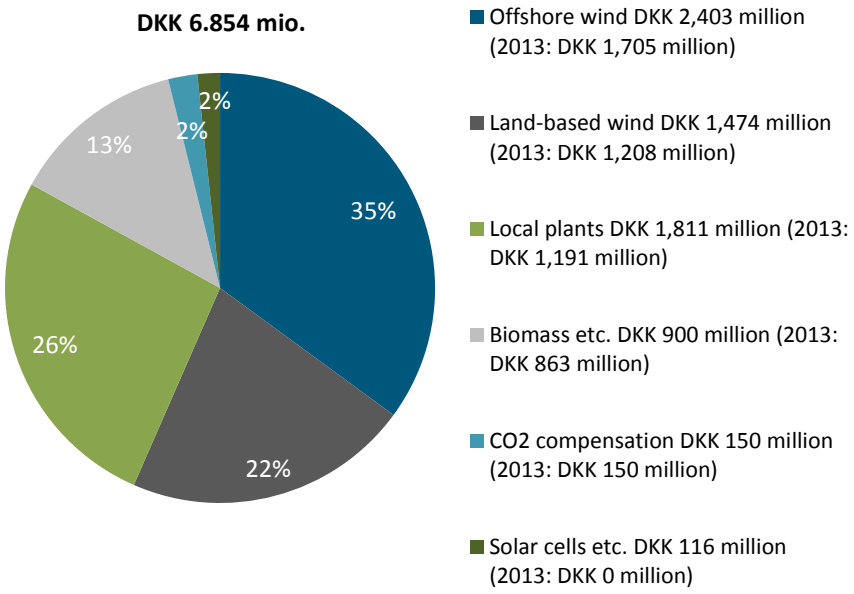
Each year, the Danish Minister for Climate, Energy and Building determines the focus areas to benefit from PSO-funded R&D based on recommendations from Energinet.dk. Support is granted to projects applying for funding on the basis of a professional assessment performed by an external, international expert panel and Energinet.dk. In addition, applications are coordinated with Innovation Fund Denmark and with the energy research programmes funded by the Danish Energy Agency and the Danish Energy Association.

Much of the funding made available under the R&D calls for 2014 went to projects on Smart Grid and storage technologies.

Other subsidies

Energinet.dk pays a statutory annual amount of DKK 60 million to the Danish Safety Technology Authority and also provides funding for the grid connection of environmentally friendly electricity generation facilities. Finally, DKK 25 million a year is made available for an R&D programme on energy conservation and energy optimisation, which is administered by the Danish Energy Association.

Table 11: PSO funding for electricity 2014



Energinet.dk administers four schemes under the Danish Act on the Promotion of Renewable Energy which are to ensure the erection of land-based wind turbines:

1. The Guarantee Fund, which makes it possible for local wind turbine cooperatives and initiative groups to obtain a guarantee when raising loans to finance feasibility studies in connection with new wind turbine projects.

2. A green scheme which allows municipalities in which new wind turbines are installed to apply for funding for various types of construction work as well as cultural and informative activities in local associations etc.

3. The loss-of-value scheme, which allows the neighbours of planned wind turbines to be compensated if the value of their property is expected to fall as a result of the erection of the new wind turbines.

4. The option-to-purchase scheme, which gives local citizens the option to purchase shares in future wind turbine projects.

PSO for gas

Biogas is a renewable energy source which is edging out fossil fuels and bringing a number of advantages for the environment and climate. Energinet.dk administers the new funding schemes for the upgrading and use of biogas produced on the basis of biomass – in Denmark primarily liquid manure and organic waste.

Under the Danish Natural Gas Supply Act (Naturgasforsyningsloven), Energinet.dk grants funding for upgrading facilities and treatment plants supplying upgraded biogas and treated biogas for the natural gas network and mains gas networks.

The funding is paid out in the form of subsidies depending on how the gas is used.

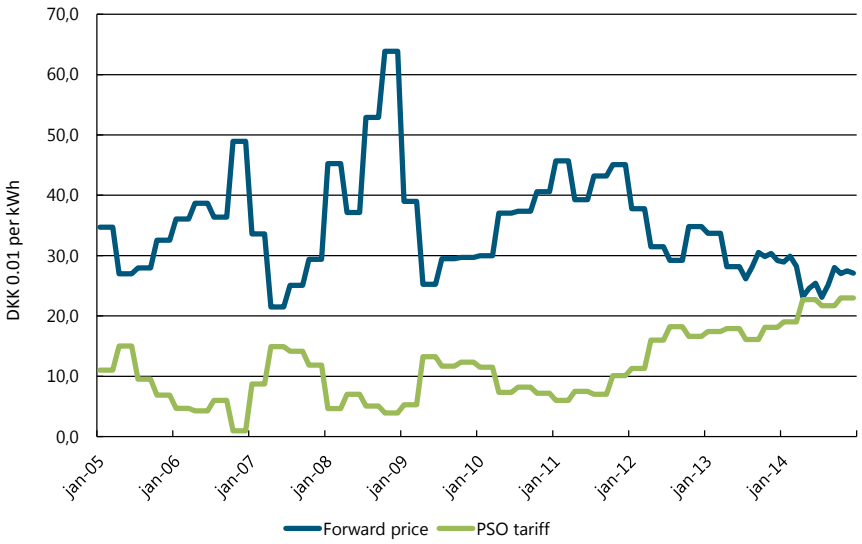
The scheme came into effect on 9 December 2013, and biogas production increased strongly in 2014, from almost nothing in 2013 to 102 million kWh in 2014.

Tariffs

The PSO tariff which is paid by electricity consumers primarily covers subsidies for renewable energy and local CPH plants as well as R&D funding and its administration. The tariff is collected from the grid companies based on the volumes consumed in their supply areas.

Energinet.dk's payment of subsidies for renewable energy and local CHP plants depends primarily on the market price of electricity; a low market price will lead to higher

Table 12: Link between forward price of electricity and PSO tariff for electricity (current prices)



payments and thus a higher PSO tariff and vice versa. At the same time, the amount of wind power also plays a role.

In 2014, the average electricity price was 20% lower than in 2013. As described in the section 'Wind power pushing electricity prices down in northern Europe' on page 21, the primary cause of the fall in the price of electricity is the increasing volumes of wind power being generated in Denmark and northern Germany. In addition, 17% more wind power was generated in Denmark compared with 2013.

In 2014, the PSO costs totalled DKK 7,285 million, corresponding to an average PSO tariff of DKK 0.216 per kWh against DKK 0.174 per kWh in 2013.

Risk and sensitivity

As mentioned above, the most important factors affecting the PSO tariff are the market price of electricity and the amount of wind power generation.

A falling market price increases the payment of subsidies. The average market price was DKK 0.233 per kWh in 2014, and a fall of about 3% results in an increase in PSO costs of approx. DKK 100 million. This leads to a PSO tariff increase of about DKK 0.003 per kWh, corresponding to approx. 1.5%.

More wind increases electricity generation and thereby payments to wind turbine owners. If the wind blows about 10% more than during a normal year, additional payments of approx. DKK 400 million have to be made.

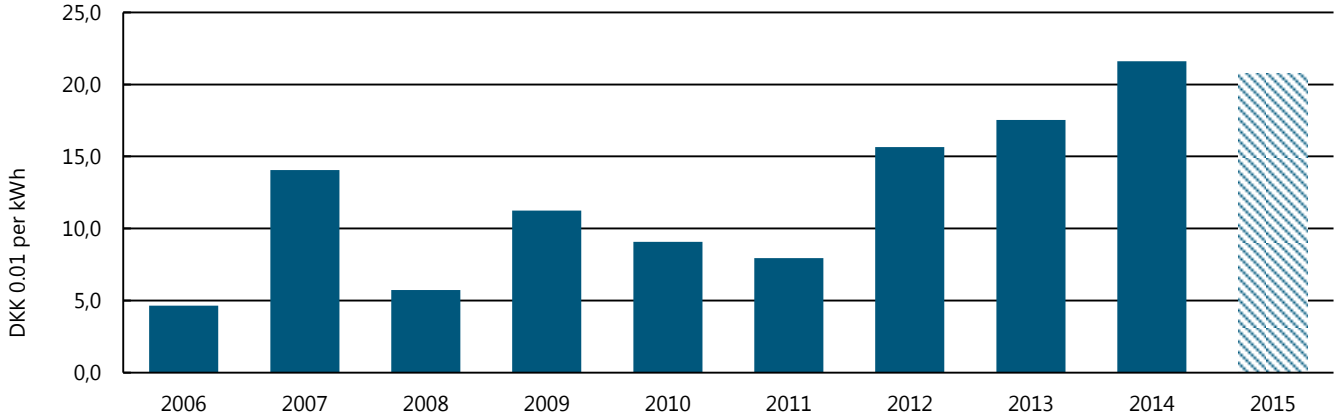
An increasing number of wind turbines also increases electricity generation and thereby the disbursement of PSO funding. The installation of 100 MW of additional land-based capacity, corresponding 30 land-based wind turbines, increases payments by approx. DKK 75 million. The installation of the same number of wind turbines in connection with an offshore wind farm increases the payments by approx. DKK 150-300 million.

The development in tariffs is thus determined by factors which Energinet.dk cannot control in the short term. In the long term, Energinet.dk is, however, contributing to the efficient phasing-in of wind power, among other things by establishing interconnections to other countries, which helps to ensure sales opportunities and thereby higher prices for Danish wind power.

Financial results

The business segment is managed according to a break-even principle where any excess revenue or deficit for the year is repaid or collected in the following year.

Table 13: Development in PSO tariff for electricity (fixed 2014 prices)



Revenue primarily takes the form of tariff revenue and income from the sale of environmentally friendly electricity generation from wind turbines and local CHP plants.

The segment posted revenue of DKK 6,908 million in 2014, up DKK 1,174 million on 2013. The increase is mainly due to tariff increases used to cover increased subsidies for renewable energy production as a result of continued low market prices of electricity and to collect the accumulated deficit from 2013.

In 2014, Energinet.dk disbursed subsidies totalling DKK 6,854 million to producers of environmentally friendly energy against DKK 5,117 million in 2013. The DKK 1,737 million increase is primarily attributable to higher subsidies for land-based and offshore wind turbines and local CHP plants due to a higher level of wind power generation and lower electricity prices. In addition, subsidies of DKK 116 million were paid out for solar cells, including the subsidies for 2012 and 2013.

R&D subsidies are on a par with 2013, while other PSO costs increased by DKK 12 million in 2014 relative to 2013. This is primarily due to increased costs for the establishment of a cable substation in connection with the grid connection of wind turbines.

The deficit for 2014 totalled DKK 413 million, while the accumulated deficit at the end of 2014 was DKK 654 million, corresponding to approx. DKK 0.02 per kWh in the PSO tariff.

As a result of the fact that the PSO scheme for gas did not come into effect until the end of 2013, only DKK 0.1 million was paid out in 2013 against DKK 35 million in 2014.

Outlook 2015

In 2015, an average market price of electricity of DKK 0.227 per kWh is foreseen, resulting in an expected average PSO tariff of DKK 0.209 per kWh. These figures factor in the effects of Growth Package 2014, which reduced the PSO tariff paid by consumers by approx. DKK 0.03 per kWh.

Energinet.dk expects an increase in PSO payments for gas of DKK 140 million to DKK 175 million in 2015. This can be ascribed to a significant increase in the number of biogas plants as well as production volumes.

In 2014, Energinet.dk charged the PSO tariff for gas via the gas distribution and mains gas companies, but from 2015, the PSO scheme for gas will be financed via the Danish Finance Act (Finansloven).

GAS

Business segment: Gas system

Energinet.dk collects tariffs for the operation of the business segment, which is based on a break-even principle.

Capacity tariff:

6.83

DKK/kWh/hour/year 2014

8.13
DKK/kWh/hour/year 2013

Volume tariff:
2014: 0.213 øre/kWh
2013: 0.261 øre/kWh

Emergency supply tariff
2014: 0.016 øre/kWh
2013: 0.063 øre/kWh

Gas pipelines

2014: 954 km
2013: 954 km

Compressor station

2014: 1
2013: 1

Meter and regulator stations

2014: 46
2013: 46

Table 14: Gas system

DKKm	2014	2013
Income statement		
Revenue	415	408
Costs	-371	-305
Depreciation, amortisation and impairment losses	-170	-144
Net financials	-84	-120
Net profit/loss for the year	2	169
Excess revenue/deficit for the year*	177	97
Balance sheet		
Non-current assets	5,366	5,400
Balance sheet total	5,977	6,198
Acc. excess revenue/deficit*	-270	-446

*) + = deficit, – = excess revenue

Business segment

Energinet.dk owns, operates and develops the Danish gas transmission network and the gas pipelines to Sweden and Germany. The enterprise is responsible for ensuring that the gas transmission network is available to the commercial players, that capacity is sufficient to ensure the gas supply to Danish consumers and that the gas market is well-functioning. For these services, consumers pay the so-called gas tariffs.

Security of supply is a core concern for Energinet.dk, which is responsible for ensuring sufficient capacity for transporting gas to all gas consumers in Denmark and for transporting gas via Denmark to our neighbouring countries. Long-term security of supply is provided by restructuring and expanding the gas infrastructure in step with the decline in the Danish gas reserves in the North Sea. In 2010, the possibility of importing gas from Germany was thus added. The daily security of supply is maintained through the efficient operation of the gas system, optimised maintenance of the gas transmission network, access to gas storage facilities and through ongoing collaboration with neighbouring TSOs.

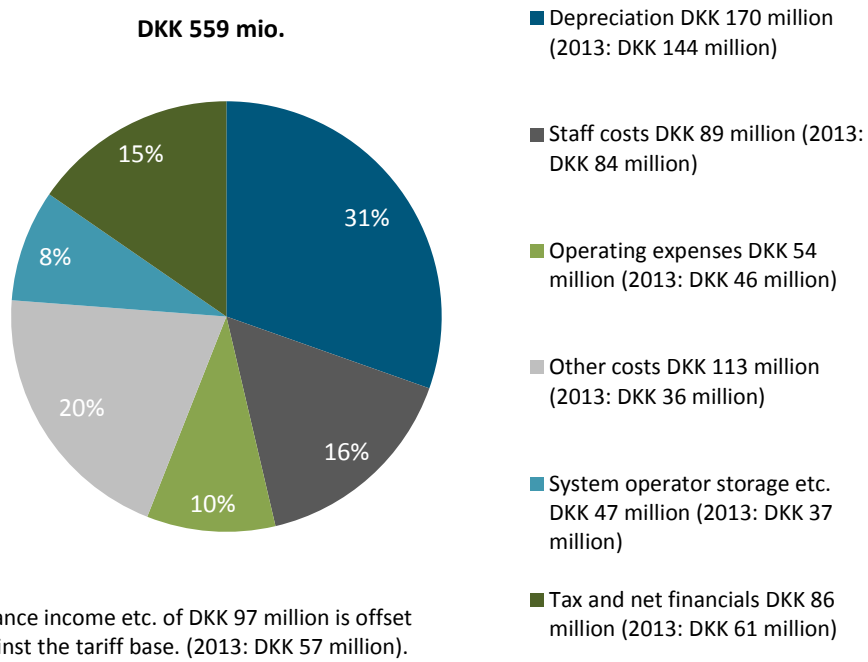
Well-functioning international gas markets are a prerequisite for Danish households, enterprises, power stations and institutions being able to purchase gas at prices which are based on genuine and fair competition. For this reason, Energinet.dk is constantly working to develop and adapt the market design. Much of this work takes the form of partnership projects with other members of ENTSOG, the European Network of Transmission System Operators for Gas. Thus, market developments are increasingly taking place concurrently in several countries, and new regulations are increasingly harmonised. The aim is to establish the right framework for the future regional and international gas markets. In Denmark, an open dialogue on the development of the gas market is maintained by Energinet.dk, the national authorities and the commercial players in the gas market. Read more about the development of the gas market in the chapter 'Energy markets of the future taking shape' on page 24.

Tariffs

Energinet.dk applies two overall types of gas tariffs: Transport tariffs and emergency supply tariffs. The tariffs follow the gas year, which runs from October to September.

The transport tariffs consist of a variable tariff (volume tariff), which depends on the gas volume transported, and a capacity charge (capacity tariff) for the gas system capacity occupied during transport.

Table 15: Costs for gas transmission tariffs



Balance income etc. of DKK 97 million is offset against the tariff base. (2013: DKK 57 million).

Pursuant to the Danish Natural Gas Supply Act, Energinet.dk is obliged to ensure security of supply in the Danish natural gas market. The emergency supply tariffs cover payments for using the underground natural gas storage facilities in Stenlille and Lille Torup and for the Syd Arne offshore pipeline in the North Sea. Moreover, the tariffs cover payments to interruptible consumers.

Following the establishment of a compressor station in Egtved and an extra gas transmission pipeline from Egtved to Ellund on the Danish/German border in 2013, Energinet.dk introduced differentiated transport tariffs, which to a greater extent reflect the investment in new infrastructure. There are now three capacity tariffs instead of just one.

The capacity tariff is divided into one tariff covering the historical investments in the gas transmission network, one tariff covering the new investment in the gas pipeline to Germany and one tariff covering the investment in the compressor station in Egtved.

The transport tariffs cover the costs of operating and maintaining the gas transmission network. The costs mainly take the form of depreciation and amortisation, operating expenses, maintenance and staff costs and financial expenses. In 2014, the total costs of DKK 559 million were reduced by congestion rents etc. of DKK 97 million.

The tariffs are significantly influenced by the repayment of excess revenue and on 1 October 2014 were as follows:

Volume tariff: DKK 0.00213 per kWh.

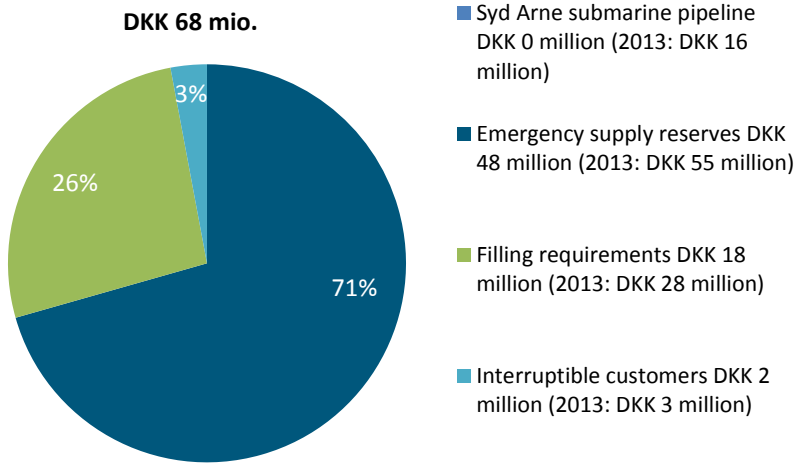
Capacity tariffs:

- DKK 6.64/kWh/h/year for entry in Nybro near the Danish west coast and exports to Germany
- DKK 6.81/kWh/h/year for exit in Denmark and Sweden
- DKK 7.16/kWh/h/year for entry from Germany.

The average emergency supply tariff on 1 October 2014 was DKK 0.00015 per kWh.

In 2014, Energinet.dk carried out an evaluation of the new tariff structure and, on the basis of this, expects the tariff structure to remain unchanged until 2016. The Danish Energy Regulatory Authority has approved this process.

Table 16: Cost of emergency supplies



Based on the common European tariff structure rules, which are expected to be implemented in EU legislation in 2015, Energinet.dk will, together with shippers and other stakeholders, update the tariff structure with effect from October 2016.

Risk and sensitivity

The most important factors affecting the gas transmission tariffs are operating expenses and the gas volumes transported in the gas transmission system.

A DKK 10 million increase in operating expenses leads to an approx. 4% increase in the volume tariff, while a DKK 10 million increase in capacity costs results in an approx. 6% increase in the average capacity tariff.

The volume tariff is sensitive to the transport volumes. A 10% fall in gas consumption in Denmark will lead to an approx. 10% tariff increase.

Financial results

The business segment is managed according to a break-even principle where any excess revenue or deficit for the year is repaid or collected in the following year.

At the end of 2013, the accumulated excess revenue was DKK 446 million, prompting Energinet.dk to lower the gas tariffs in 2013?? in order to reduce the excess revenue. At the end of 2014, it had been reduced to DKK 270 million.

Tariff revenue fell from DKK 351 million in 2013 to DKK 318 million in 2014, as a general tariff reduction was implemented to repay the excess revenue.

In order to maintain security of supply, Energinet.dk has expanded the gas transmission network from Egtved in southern Jutland to the Danish/German border. Energinet.dk has received funding from the European Economic Recovery Plan. The project was completed in 2014, taking the costs eligible for subsidies to DKK 41 million in 2014.

The costs increased by DKK 117 million from 2013 to 2014, primarily due to increased depreciation as a result of the new investment in the gas pipeline to Germany and the compressor station in Egtved (DKK 26 million) as well as increased costs of balancing the gas volumes supplied into and out of the transmission system (DKK 66 million). The increase should be seen in the light of the introduction of the new balance model, which ensures a more short-term balance through trading on the gas exchange.

On the other hand, the costs of emergency supply services fell from DKK 102 million in 2013 to DKK 68 million

Figure 6: Development in gas transport tariffs

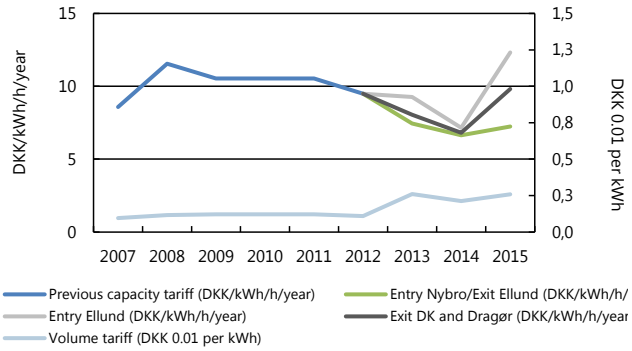
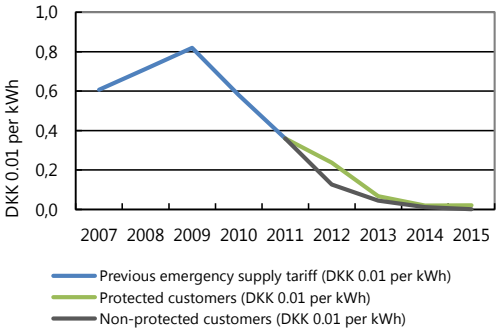


Figure 7: Development in emergency supply tariffs



in 2014. The DKK 34 million fall is, among other things, due to the restructuring of the costs of the Syd Arne submarine pipeline and more favourable emergency supply agreements with the gas storage facilities.

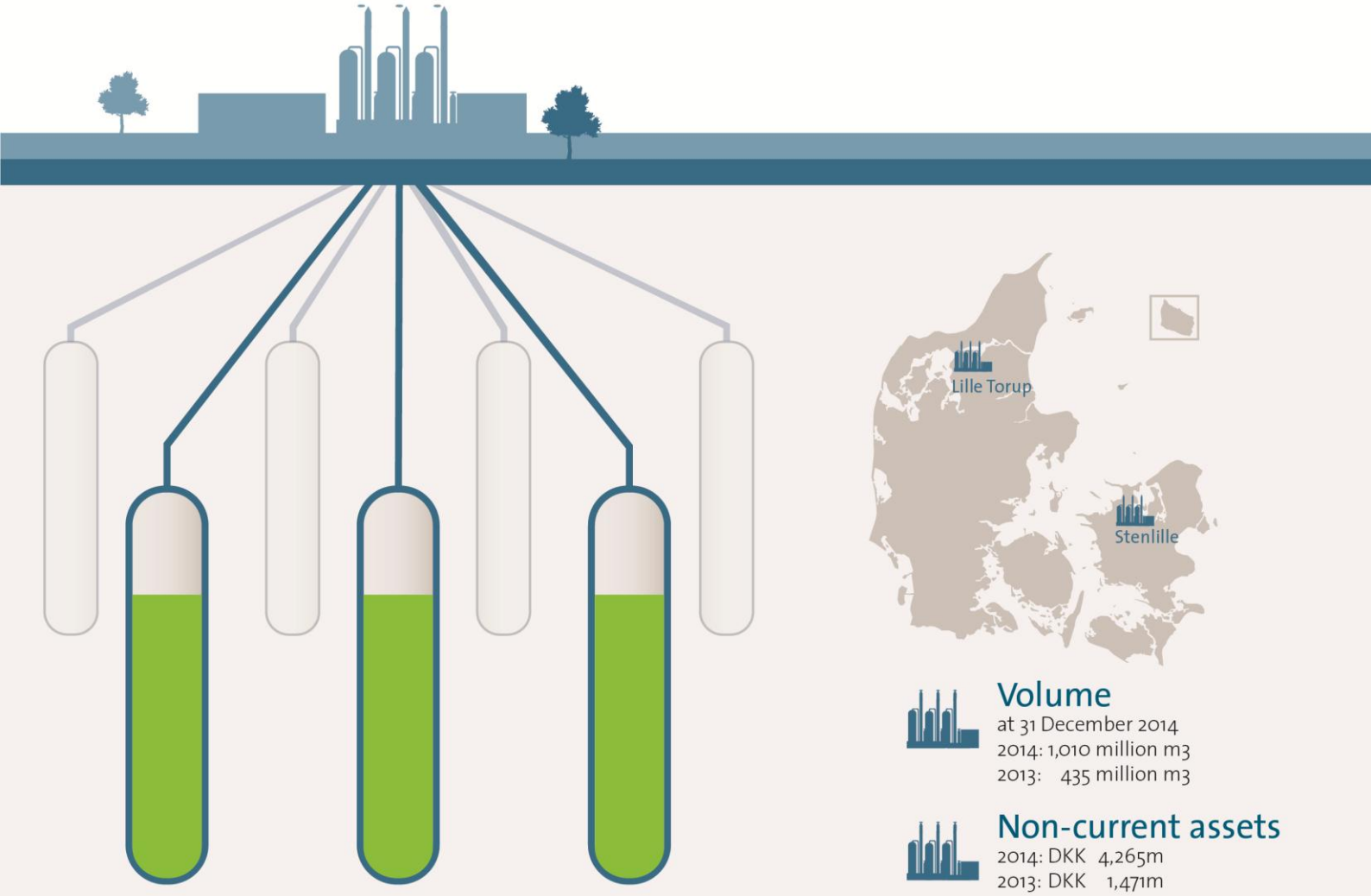
Outlook 2015

On 1 October 2015, the transport tariffs are expected to increase relative to 2014, as the accumulated excess revenue is expected to be repaid in the course of 2015. The emergency supply tariffs are expected to be maintained at the same level as in 2014.

COMMERCIAL

Business segment: Commercial activities

Energinet.dk owns and manages two commercial enterprises. The business segment has been extended with the acquisition of the Stenlille gas storage facility in 2014.



Volume
at 31 December 2014
2014: 1,010 million m3
2013: 435 million m3

Non-current assets
2014: DKK 4,265m
2013: DKK 1,471m

Revenue
2014: DKK 159m
2013: DKK 175m

Operating profit/loss
2014: DKK 47m
2013: DKK -576m

Net profit/loss
2014: DKK 7m
2013: DKK -355m

Energinet.dk Lille Torup Gaslager A/S

Energinet.dk Associated Activities A/S

Income:	2014: DKK 19m	2013: DKK 14m.
Operating profit:	2014: DKK 5m	2013: DKK 5m
Net profit:	2014: DKK 4m	2013: DKK 4m

Table 17: Energinet.dk's gas storage activities

DKKm	2014	2013
Income statement*		
Revenue	159	175
Costs	-37	-43
Depreciation, amortisation and impairment losses	-75	-708
Operating profit/loss	47	-576
Net financials	-36	74
Net profit/loss for the year	7	-355
Balance sheet**		
Non-current assets	4,265	1,471
Balance sheet total	4,335	1,455
Equity	1,435	172

* Income statement concerns Energinet.dk Lille Torup Gaslager A/S.

** The changes from 2013 to 2014 are due to the acquisition of Energinet.dk Stenlille Gaslager A/S on 31 December 2014.

Business segment

In 2014, Energinet.dk owned and managed two commercial enterprises.

Energinet.dk Lille Torup Gaslager A/S manages the gas storage facility in Lille Torup and sells capacity on commercial terms. Energinet.dk Associated Activities A/S leases out optical fibre cable capacity and sells consultancy services.

Energinet.dk's gas storage activities

Energinet.dk has owned and operated Energinet.dk Lille Torup Gaslager A/S in Lille Torup near Viborg since 2007. The gas is stored in seven caverns in a large subterranean salt dome. The natural gas storage facility is a wholly-owned subsidiary tasked with selling storage capacity in the gas market on commercial terms in competition with the German gas storage facilities and other flexibility suppliers in the north-western European gas market.

The difference in the gas price in the summer and in the winter, the so-called spread, is the most important indicator of the market price for seasonal storage. Seasonal storage is the one main business area for the gas storage business segment, which also comprises the sale of capacity for emergency supply, trading and other purposes. Energinet.dk Lille Torup Gaslager A/S sells capacity to wholesalers in the gas market, including gas suppliers, traders, producers and Energinet.dk's business segment.

The gas storage facility is important for maintaining the security of the gas supply in Denmark and Sweden, while the availability of storage capacity is a precondition for a well-functioning market.

Acquisition of the gas storage facility in Stenlille

Energinet.dk bought the natural gas storage facility in Stenlille from DONG Energy at a price of DKK 2,215 million, the date of completion being 31 December 2014. The acquisition of the other Danish gas storage facility entails a number of economies of scale for Energinet.dk. The price also includes an additional contractual payment of DKK 0.4 billion to DONG Energy, which was agreed in connection with the acquisition of the Lille Torup gas storage facility in 2007. Energinet.dk now owns all the gas storage capacity in Denmark.

The gas storage facility in Stenlille is the largest of the two Danish gas storage facilities. Unlike the gas storage facility in Lille Torup, the Stenlille facility is an aquifer, ie the gas is stored in gas-tight water-filled sandstone beds situated approx. 1,500 m below ground.

The ownership of both Danish gas storage facilities will influence the technical operation of the facilities, and the

Table 18: Energinet.dk Associated Activities A/S

DKKm	2014	2013
Income statement		
Income	19	14
Costs	-13	-8
Depreciation, amortisation and impairment losses	-1	-1
Operating profit/loss	5	5
Net profit/loss for the year	4	4
Balance sheet		
Non-current assets	1	2
Balance sheet total	35	33
Equity	35	31

joint operations are expected to produce a large number of synergies for Energinet.dk's gas storage business as well as the Danish gas system in general.

Renovation of cavern

In 2013, Energinet.dk noticed corrosion damage to the well string at one of the seven caverns making up the Lille Torup gas storage facility. Until the damage has been repaired, the cavern is therefore kept at reduced pressure, resulting in a lower sales volume.

In 2014, it was decided to carry out maintenance work on this cavern in the course of 2014 and 2015. A so-called well string as well as above-ground pipes and valves will be replaced in connection with the renovation project; at the same time, an extra safety valve will be fitted.

In order to replace the components, the cavern must be emptied; this will be done by filling it with water from the Limfjord. After replacing the well string and well head, the cavern will again be filled with gas and the water discharged to the Limfjord.

During this process, the water quality will be monitored, and control measurements will be carried out in accordance with the regulatory terms of the renovation permit, which were made stricter in December 2014.

Financial results

In 2014, market developments were characterised by the extraordinarily warm winter and spring months in most of Europe. This meant that the European gas storage facilities were full over the summer, which resulted in falling prices for storage capacity.

Energinet.dk Lille Torup Gaslager A/S succeeded in selling 100% of the capacity for the 2013/14 storage year, and income from storage services totalled DKK 159 million in 2014, down DKK 16 million relative to 2013. The decline was expected as a result of the lower prices of storage capacity.

External expenses and staff costs amounting to DKK 36 million were recognised, representing a decline of DKK 7 million relative to 2013. The fall is due to fewer expenses for the operation of compressors, as a direct consequence of the extraordinarily warm winter.

The profit of DKK 7 million returned for the year is significantly better than the loss of DKK 355 million posted for 2013. Be it noted that the results for 2013 were affected by the impairment of the gas storage facility by DKK 500 million.

The Stenlille gas storage facility was taken over on 31 December 2014, and the results for 2014 are therefore

not financially affected by this, as only the balance sheet values at 31 December 2014 are recognised in the financial statements.

Energinet.dk Associated Activities A/S

Energinet.dk Associated Activities A/S leases out unused capacity in the optical fibre cables which were established in connection with Energinet.dk's electrical overhead lines and cables. Energinet.dk uses the fibre cables in connection with the operation and monitoring of the electricity system. The capacity which Energinet.dk does not utilise is leased out on commercial terms. Moreover, Energinet.dk leases out space for installing mobile antennas on its high-voltage towers.

The enterprise also sells energy consultancy services in other countries within Energinet.dk's core areas of expertise with special focus on activities which support Danish political and commercial interests abroad. Projects often involve knowledge transfer via clearly defined projects or general teaching and training activities. Consultancy services are provided under the auspices of Energinet.dk Associated Activities A/S under the name Energinet.dk Energy Consultancy A/S (EEC).

In 2014, the consultancy business undertook a variety of consultancy and teaching assignments in the field of electricity system development and effective integration of renewable energy, for example in China, Africa and Latin America, as well as cable laying of the transmission grid in Iceland.

Financial results

Energinet.dk Associated Activities A/S posted total income of DKK 19 million in 2014 against DKK 14 million in 2013, comprising revenue from consultancy services of DKK 9 million and fibre lease income of DKK 10 million.

External costs of DKK 13 million were posted, up DKK 5 million on 2013.

A profit for the year of DKK 4 million was recorded, which is on a par with 2013.

Outlook 2015

As a result of the integration of the gas storage facility in Stenlille, Energinet.dk Lille Torup Gaslager A/S and Energinet.dk Stenlille Gaslager A/S are expected to generate a combined profit of approx. DKK 10-20 million in 2015.

Energinet.dk Associated Activities A/S is expected to return a profit of DKK 2-4 million in 2015.

Other items and outlook 2015

Comments on other items

In the previous sections on business segments, no comments were provided on the following items.

Depreciation, amortisation and impairment losses on non-current assets

Depreciation, amortisation and impairment losses for the year fell from DKK 1,910 million in 2013 to DKK 1,370 million in 2014. The decline should be seen in the light of the fact that in 2013 Energinet.dk made an impairment charge of DKK 594 million against the gas storage facility in Lille Torup.

Tax on profit/loss for the year

Tax on the profit or loss for the year amounts to DKK 20 million. The tax on the profit or loss for the year was affected by an adjustment from previous years of DKK 14 million, which is the reason why the tax rate is lower than 24.5%.

In 2013, tax was affected by a reduction in the tax rate from 25% to 22%, corresponding to DKK 398 million.

The deferred tax liability is increased by DKK 509 million, of which DKK 494 million is due to the acquisition of Energinet.dk Stenlille Gaslager A/S.

Liabilities other than provisions and financial issues

Group interest-bearing debt rose by DKK 3,425 million from DKK 18,367 million in 2013 to DKK 21,792 million in 2014. The increase is essentially attributable to increased investing activities, including the acquisition of the Stenlille gas storage facility. Energinet.dk paid DKK 2,215 million for the facility, and the amount is financed partly through a capital injection from Energinet.dk, financed via a loan from Danmarks Nationalbank, and partly by the arrangement of loans from commercial banks.

Energinet.dk uses durations as its guiding financial risk measure. This means that there must be a correlation between the duration of the assets and the duration of the liabilities. Between 75% and 100% of the risk measure must be met. At the start of the year, the composition of the loan portfolio was such that 82% of the duration was met. Changes in the enterprise's non-current assets and changes in the composition of net interest-bearing debt are the main reasons behind the 80% fulfilment of the duration at the end of the year.

In 2014, the effective borrowing rate on group interest-bearing debt was 2.05% as opposed to 2.45% in 2013.

Cash flow statement

Cash flows from operating activities were DKK 1,120 million in 2014 against DKK 1,094 million in 2013.

Total investments were DKK 4,623 million in 2014 compared to DKK 3,239 million in 2013. In 2014, investments were impacted by the acquisition of the Stenlille gas storage facility at a price of DKK 2,215 million.

Cash flows from financing activities amounted to DKK 4,262 million. During the year, new loans were arranged with Danmarks Nationalbank in the total amount of DKK 3,879 million, while loans were raised with commercial banks for a total of DKK 1,000 million. Ordinary repayments on long-term debt were DKK 75 million in 2014. In the course of 2014, the enterprise's commercial paper programme was reduced from DKK 1,461 million in 2013 to DKK 919 million.

The total effect on cash flows was therefore an increase of DKK 759 million, which means that the draw on the credit facilities with banks fell by DKK 638 million from 2013 to 2014, and cash increased by DKK 121 million.

Outlook 2015

The Energinet.dk Group expects the cost and investment level in 2015 to be on a par with 2014. As three out of the four business segments are managed according to a break-even principle, the enterprise is basically expected to break even, corresponding to results ranging from a loss of DKK 100 million to a profit of DKK 100 million. Reference is also made to the descriptions of the individual business segments which provide further details on tariff developments and the results for the individual segments.

Events after the balance sheet date

No significant events have occurred after the balance sheet date that affect the fair presentation at 31 December 2014 of the Group's and the Parent's assets, liabilities and financial position and the results of the Group's and the Parent's activities.

Consolidated income statement

Note	DKKm	2014	2013
	Tariff revenue, grid and system	2,256	2,366
	Tariff revenue, PSO	6,908	5,734
	Tariff revenue, gas transmission	318	351
	Congestion rents	534	601
	Fee income for balancing the power system	166	164
	Commercial revenue	134	133
	Other revenue	115	132
1	Revenue	10,431	9,481
2	Excess revenue/deficit *	777	-196
	EU grants	42	130
3	Other operating income	6	54
	Total income	11,256	9,469
	External expenses	-9,248	-7,189
4	Staff costs	-349	-324
	Total costs	-9,597	-7,513
5	Depreciation, amortisation and impairment losses for tangible and intangible assets	-1,370	-1,910
	Profit before net financials	289	46
	Net profit in associates after tax	0	1
6	Financial income	17	25
7	Financial expenses	-451	-455
	Profit/loss before tax	-145	-383
8	Tax on profit/loss for the year	20	420
	Net profit/loss for the year	-125	37
	The following distribution of the net profit/loss for the year is proposed:		
	Strengthening of contributed capital	-4	0
	Transferred to other reserves	-121	37
	Total	-125	37

*) + = deficit and – = excess revenue

Assets for the Group

Note	DKKm	2014	2013
	Intangible assets		
	Goodwill	171	184
	Rights	451	47
	Software	227	221
	Assets under construction and prepayments on intangible assets	236	72
9	**Total intangible assets**	**1,085**	**524**
	Tangible fixed assets		
	Land and buildings	433	485
	Infrastructure	32,184	25,682
	Cushion gas	592	585
	Other plant, tools and operating equipment	138	133
	Assets under construction and prepayments on tangible fixed assets	1,312	4,262
10	**Total tangible fixed assets**	**34,659**	**31,147**
	Investments		
	Equity investments in associates	3	3
	Other equity investments	40	40
11	**Total investments**	**43**	**43**
	Total non-current assets	35,787	31,714
	Inventories	**81**	**310**
	Receivables		
	Trade receivables	161	451
19	Corporation tax	29	0
12	Other receivables	1,715	1,660
2	Deficit	698	242
13	Prepayments	390	325
	Total receivables	**2,993**	**2,678**
	Cash and cash equivalents	**156**	**35**
	Total current assets	3,230	3,023
	Total assets	39,017	34,737

Equity and liabilities for the Group

Note	DKKm	2014	2013
	Equity		
	Contributed capital	3,157	3,157
	Strengthening of contributed capital	946	950
	Other reserves	1,767	1,891
	Total equity	5,870	5,998
	Provisions		
14	Deferred tax liabilities	3,316	2,785
15	Provisions	4,515	4,182
	Total provisions	7,831	6,967
	Long-term liabilities other than provisions		
16	Payables to credit institutions and mortgage debt	18,801	16,221
17	Deferred income	329	318
18	Lease commitments	52	58
	Total long-term liabilities other than provisions	**19,182**	**16,597**
	Short-term liabilities other than provisions		
16	Current maturities of long-term liabilities other than provisions	2,221	75
17	Current maturities of long-term deferred income	10	7
18	Current maturities of long-term lease commitment	6	6
	Debt, commercial papers	919	1,461
	Payables to credit institutions	7	645
	Trade payables	366	371
2	Excess revenue	270	590
20	Other payables	2,335	2,020
	Total short-term liabilities other than provisions	**6,134**	**5,175**
	Total liabilities other than provisions	25,316	21,772
	Total equity and liabilities	39,017	34,737

21	Business combinations
22	Provision of security and charges
23	Derivative financial instruments
24	Contingent liabilities and other financial liabilities
25	Fees to external auditor
26	Related parties

Statement of changes in equity

DKKm	Contrib-uted capital	Strengthening of contrib-uted capital	Other reserves	Total
Equity at 1 January 2013	3,157	950	1,854	5,961
Net profit/loss for the year			37	37
Value adjustment of hedging instruments, beginning of year			28	28
Value adjustment of hedging instruments, end of year			-28	-28
Foreign currency translation adjustment of equity investments, beginning of year			-1	-1
Foreign currency translation adjustment of equity investments, end of year			1	1
Equity at 31 December 2013	3,157	950	1,891	5,998
Net profit/loss for the year		-4	-121	-125
Value adjustment of hedging instruments, beginning of year			28	28
Value adjustment of hedging instruments, end of year			-31	-31
Foreign currency translation adjustment of equity investments, beginning of year			-1	-1
Foreign currency translation adjustment of equity investments, end of year			1	1
Equity at 31 December 2014	3,157	946	1,767	5,870

Other reserves (net) are profits which cannot be distributed under special legislation.

	Balance at 1 January 2014	Movements of the period	Balance at 31 December 2014
Balance for other reserves can be specified as follows:			
Income from congestion rents transferred to reserves, incl. capitalisation	1,453	-126	1,327
EU grants transferred to reserves	497	18	515
Results from commercial activities	-287	12	-275
Depreciation of decommissioning costs in respect of facilities acquired before 1 January 2005	-153	8	-145
Unrealised translation adjustments, net financials	27	2	29
Adjustment of deferred tax	553	-29	524
Results of Regionale Net.dk A/S	-172	-8	-180
Fair value adjustment of financial instruments	-28	-1	-29
Foreign currency translation adjustment of equity investments	1	0	1
Other reserves at 31 December 2014	1,891	-124	1,767

DKKm	Conges-tion rents trans-ferred to reserves	Capitali-sation	Great Belt Power Link	Total
Balance for income from congestion rents transferred to reserves can be specified as follows:				
Balance at 1 January 2014	505	82	866	1,453
Periodic transfer to reserves, incl. capitalisation	43	21	0	64
Transfer on commissioning of plant	0	0	0	0
Reversal to tariff base for the year	-195	0	-36	-231
Tax	37	-5	9	41
Balance at 31 December 2014	390	98	839	1,327

Cash flow statement

Note	DKKm	2014	2013
	Profit/loss for the year before net financials	**289**	**46**
	Reversal of items not affecting cash flows	0	-11
	Depreciation, amortisation and impairment losses for tangible and intangible assets	1,370	1,910
	Payments in respect of provisions	-7	-12
	Change in inventories	229	-205
	Change in receivables	131	-417
	Change in liabilities	319	135
	Change in accumulated excess revenue/deficit	-777	196
	Cash flows from operating activities before net financials	**1,552**	**1,642**
	Interest receivable	7	9
	Interest payable	-441	-511
	Cash flows from ordinary activities	**1,118**	**1,140**
	Corporation tax paid	0	-46
	Cash flows from operating activities	1,120	1,094
	Investment in intangible assets	-235	-67
	Investment in tangible fixed assets	-2,173	-3,237
	Sale of tangible fixed assets	0	65
22	Acquisition of enterprises	-2,215	0
	Cash flows from investing activities	-4,623	-3,239
	Proceeds from long-term borrowings	4,879	2,028
	Repayment of long-term loans	-75	-1,455
	Short-term borrowings/repayment, net	-542	939
	Cash flows from financing activities	4,262	1,512
	Change in cash and cash equivalents	759	-623
	Net cash and cash equivalents at 1 January	-610	13
	Net cash and cash equivalents at 31 December	149	-610

The cash flow statement cannot be derived directly from the balance sheet and the income statement.

Notes

Note 1 Segmental income statement DKKm	Power system	Environmentally friendly energy – PSO	Gas system	Commercial activity	Eliminations	Annual report 2014	Annual report 2013
Tariff revenue	2,256	6,908	318	0	0	9,482	8,451
Congestion rents	534	0	0	0	0	534	601
Fee for balancing the power system	166	0	0	0	0	166	164
Power generation subsidies	0	0	0	0	0	0	48
Other income	18	0	97	168	-34	249	217
Revenue	2,974	6,908	415	168	-34	10,431	9,481
Excess revenue/deficit	187	413	177	0	0	777	-196
EU grants	1	0	41	0	0	42	130
Other operating income	0	0	-4	10	0	6	54
Total income	3,162	7,321	629	178	-34	11,256	9,469
Subsidies for energy production	0	-6,854	0	0	0	-6,854	-5,165
Subsidies for R&D	0	-180	0	0	0	-180	-179
Other energy costs	0	-251	-1	-3	0	-255	-251
Compensation for grid losses	-374	0	0	0	0	-374	-153
Purchase of regulating power	-133	0	0	0	0	-133	-101
Payment for reserves/storage capacity	-735	0	-219	0	34	-920	-823
Expenses relating to foreign grids	-56	0	0	0	0	-56	-50
Payment for inspections	-30	0	-8	0	0	-38	-61
Other external operating expenses	-346	0	-54	-38	0	-438	-406
Total external expenses	**-1,674**	**-7,285**	**-282**	**-41**	**34**	**-9,248**	**-7,189**
Staff costs	-251	0	-89	-9	0	-349	-324
Total costs	-1,925	-7,285	-371	-50	34	-9,597	-7,513
Depreciation, amortisation and impairment losses for tangible and intangible assets	-1,093	-31	-170	-76	0	-1,370	-1,910
Operating profit/loss	144	5	88	52	0	289	46
Net financials	-309	-5	-84	-36	0	-434	-429
Profit/loss before tax	-165	0	4	16	0	-145	-383
Tax on profit/loss for the year	27	0	-2	-5	0	20	420
Profit/loss for the year	-138	0	2	11	0	-125	37

◄(continued) DKKm	Power system	Environmentally friendly energy – PSO	Gas system	Commercial activity	Eliminations	Annual report 2014	Annual report 2013
Profit/loss for the year	-138	0	2	11	0	-125	37
Excess revenue/deficit for the year	187	413	177	0	0	777	-196
Net profit/loss before excess revenue/deficit	-325	-413	-175	11	0	-902	233
The net profit/loss can be specified as follows:						0	
Strengthening of contributed capital	-4	0	0	0	0	-4	0
Other reserves transferred to equity							
– EU grants transferred to reserves	0	0	18	0	0	18	95
– Income from congestion rents transferred to reserves	-126	0	0	0	0	-126	-4
– Adjustment of deferred tax	-25	0	-2	0	0	-27	354
– Other reserves	17	0	-14	11	0	14	-408
Deficit for the year	-187	-413	-177	0	0	-777	-97
Excess revenue for the year	0	0	0	0	0	0	293
Total	-325	-413	-175	11	0	-902	233

Segmental balance sheet DKKm	Power system	Environmentally friendly energy – PSO	Gas system	Commercial activity	Eliminations	Annual report 2014	Annual report 2013
Assets							
Non-current assets							
Intangible assets	618	38	38	391	0	1,085	524
Tangible fixed assets	25,090	367	5,327	3,875	0	34,659	31,147
Investments	42	0	1	0	0	43	43
Total non-current assets	25,750	405	5,366	4,266	0	35,787	31,714
Current assets							
Inventories	24	0	57	0	0	81	310
Deficit	44	654	0	0	0	698	242
Other receivables	827	841	523	104	0	2,295	2,436
Cash and cash equivalents	94	31	31	0	0	156	35
Total current assets	989	1,526	611	104	0	3,230	3,023
Total assets	26,739	1,931	5,977	4,370	0	39,017	34,737
Equity and liabilities							
Equity							
Contributed capital	3,016	0	141	50	-50	3,157	3,157
Strengthening of contributed capital	844	0	102	0	0	946	950
Other reserves	1,427	0	620	1,420	-1,700	1,767	1,891
Equity	5,287	0	863	1,470	-1,750	5,870	5,998
Provisions	5,259	278	1,344	950	0	7,831	6,967
Liabilities other than provisions							
Interest-bearing debt	14,709	225	3,319	1,938	1,750	21,941	17,757
Payables to credit institutions	6	0	1	0	0	7	645
Excess revenue	0	0	270	0	0	270	590
Other liabilities other than provisions	1,478	1,428	180	12	0	3,098	2,780
Total liabilities other than provisions	16,193	1,653	3,770	1,950	1,750	25,316	21,772
Total equity and liabilities	26,739	1,931	5,977	4,370	0	39,017	34,737

Note 2 Excess revenue/deficit 2013 DKKm	Balance at 1 January 2013	Adjustment	Movements of the period	Balance at 31 December 2013
Balance for excess revenue/deficit to be included in tariffs can be specified as follows:				
Power system	6	0	-150	-144
Gas system	-543	0	97	-446
Environmentally friendly energy – PSO	385	0	-143	242
Total excess revenue/deficit	-152	0	-196	-348

Excess revenue/deficit is recognised in the balance sheet as follows:	Total receivables	Short-term liabilities	Total
Power system		-144	-144
Gas system		-446	-446
Environmentally friendly energy – PSO	242		242
Total excess revenue/deficit	242	-590	-348

2014	Balance 1 January 2014	Adjustment	Movements of the period	Balance at 31 December 2014
Excess revenue/deficit to be included in tariffs can be specified as follows:				
Power system	-144	0	188	44
Gas system	-446	0	177	-270
Environmentally friendly energy – PSO	242	0	412	654
Total excess revenue/deficit	-348	0	777	429

Excess revenue/deficit is recognised in the balance sheet as follows:	Total receivables	Short-term liabilities	Total
Power system	44		44
Gas system		-270	-270
Environmentally friendly energy – PSO	654		654
Total excess revenue/deficit	698	-270	429

Note	DKKm	2014	2013
3	**Other operating income**		
	Profit/loss from the sale of emergency gas	-4	44
	Other miscellaneous income	10	10
	Total other operating income	6	54
4	**Staff costs**		
	Wages and salaries	-465	-429
	Pensions	-49	-44
	Other social security costs	-5	-4
	Capitalised internal time	170	153
	Total	-349	-324
	Supervisory Board remuneration	-2	-2
	Executive Board remuneration	-9	-8
	For further information, see the section 'Remuneration of the Executive Board, Supervisory Board and Stakeholder Forum' on page 34.		
	Average number of employees	738	680
5	**Depreciation, amortisation and impairment losses for tangible and intangible assets**		
	Goodwill	-13	-189
	Rights	-4	-4
	Software	-110	-107
	Land and buildings	-5	-6
	Infrastructure	-1,182	-1,527
	Other plant, tools and operating equipment	-32	-24
	Assets under construction	-4	0
	Impairment loss/scrapping	-20	-53
	Total	-1,370	-1,910
6	**Financial income**		
	Interest on bank deposits etc.	6	8
	Foreign exchange gains and fair value adjustments etc.	11	17
	Total	17	25

Note	DKKm	2014	2013
7	**Financial expenses**		
	Interest on loans, bank debt etc.	-387	-408
	Capitalisation of decommissioning provisions	-130	-117
	Foreign exchange gains and fair value adjustments etc.	-4	-24
	Capitalised interest on construction projects	70	94
	Total	-451	-455
8	**Tax on profit/loss for the year**		
	Current tax for the year	-11	-113
	Deferred tax for the year	14	132
	Current tax regarding previous years	39	2
	Deferred tax regarding previous years	-25	-1
	Deferred tax relating to reduction of corporation tax rate	0	398
	Total	17	418
	Comprising:		
	Tax on profit/loss for the year	20	420
	Tax on changes in equity	-3	-2
	Total	17	418
	Tax rate adjustment		
	Corporation tax rate	24.5 %	25.0 %
	Tax effect of non-taxable income and non-deductible expenses	-18.8 %	-15.0 %
	Tax effect of reduction of corporation tax rate, beginning of year	0.7 %	103.0 %
	Tax effect of reduction of corporation tax rate, current year	-2.4 %	-4.0 %
	Adjustment of tax in previous years	9.3 %	1.0 %
	Effective tax rate for the year	13.3 %	110.0 %
	Tax paid for the year	0	46

Note	DKKm	Goodwill	Rights	Software	Assets under construction	Total intangible assets
9	**Intangible assets**					
	Acquisition cost at 1 January	**497**	**97**	**759**	**72**	**1,425**
	Additions during the year	0	0	0	235	235
	Disposals during the year	0	0	-43	0	-43
	Additions relating to business acquisition	0	391	0	0	391
	Transfer to/from other items	0	-282	105	-72	-249
	Other adjustments	1	287	20	1	309
	Acquisition cost at 31 December	**498**	**493**	**841**	**236**	**2,068**
	Amortisation and impairment losses at 1 January	**-314**	**-50**	**-538**	**0**	**-902**
	Amortisation and impairment losses for the year	-13	-4	-110	0	-127
	Reversals on disposals for the year	0	0	37	0	37
	Transfer to/from other items	0	9	0	0	9
	Other adjustments	0	3	-3	0	0
	Amortisation and impairment losses at 31 December	**-327**	**-42**	**-614**	**0**	**-983**
	Carrying amount at 31 December	171	451	227	236	1,085

Note	DKKm	Land and buildings	Infra-structure	Cushion gas	Other plant	Assets under construc-tion	Total tangible fixed assets
10	**Tangible fixed assets**						
	Acquisition cost at 1 January	**557**	**37,492**	**586**	**319**	**4,262**	**43,216**
	Additions during the year	1	640	0	0	2,233	2,874
	Disposals during the year	0	-39	0	-10	0	-49
	Additions relating to business acquisition	0	1,945	0	0	0	1,945
	Transfer to/from other items	-54	5,429	6	40	-5,171	250
	Other adjustments	3	-205	0	1	33	-168
	Acquisition cost at 31 December	**507**	**45,262**	**592**	**350**	**1,357**	**48,068**
	Depreciation and impairment losses at 1 January	**-72**	**-11,811**	**0**	**-187**	**0**	**-12,070**
	Depreciation and impairment losses for the year	-5	-1,182	0	-32	-4	-1,223
	Reversals on disposals for the year	0	27	0	8	0	35
	Transfer to/from other items	2	-108	0	0	0	-106
	Other adjustments	1	-4	0	-1	-41	-45
	Depreciation and impairment losses at 31 December	**-74**	**-13,078**	**0**	**-212**	**-45**	**-13,409**
	Carrying amount at 31 December	433	32,184	592	138	1,312	34,659

Finance costs totalling DKK 245 million have been capitalised under 'Non-current assets', including DKK 70 million in 2014.

Note	DKKm	Equity investments in associates	Other equity investments	Total investments
11	**Investments**			
	Acquisition cost at 1 January	**3**	**40**	**43**
	Additions during the year	0	0	0
	Disposals during the year	0	0	0
	Acquisition cost at 31 December	**3**	**40**	**43**
	Value adjustments at 1 January	**0**	**0**	**0**
	Additions during the year	0	0	0
	Disposals during the year	0	0	0
	Dividend paid	0	0	0
	Net profit/loss for the year	0	0	0
	Value adjustments at 31 December	**0**	**0**	**0**
	Carrying amount at 31 December	3	40	43

Name	Domicile	Ownership	Share capital (DKKm)	Group 2014
Equity investments in associates				
European Market Coupling Company GmbH*	Hamburg (DE)	20 %	EUR 1.6	3
Total				3

*) Being wound up

Name	Domicile	Ownership	Share capital (DKKm)	Group 2014
Other equity investments				
Dansk Gasteknisk Center A/S	Hørsholm (DK)	15.6 %	DKK 9	1
Nord Pool Spot AS	Oslo (N)	18.8 %	NOK 54	36
Capacity Allocation Service Company.eu S.A.	Luxembourg (L)	7.1 %	EUR 42	3
Prisma European Capacity Platform GmbH	Leipzig (DE)	7.3 %	EUR 0	0
Total				40

Total investments	43

Note	DKKm	2014	2013
12	**Other receivables**		
	Market value of financial instruments	642	545
	Energy settlement	1,022	997
	Other receivables	51	118
	Total	1,715	1,660
	Expected maturity of other receivables:		
	Less than 1 year	1,084	1,115
	1-5 years	36	56
	More than 5 years	595	489
	Total	1,715	1,660
13	**Prepayments**		
	EU grants	290	246
	Prepayments	100	79
	Total	390	325
	Expected maturity of other receivables:		
	Less than 1 year	390	325
	1-5 years	0	0
	More than 5 years	0	0
	Total	390	325
14	**Deferred tax liabilities**		
	Deferred tax at 1 January	2,785	3,325
	Additions relating to business acquisition	520	-11
	Adjustment in respect of previous years	25	1
	Deferred tax relating to reduction of corporation tax rate	0	-398
	Change in deferred tax concerning profit/loss for the year	-14	-134
	Change concerning hedging instruments	0	2
	Total	3,316	2,785
	Deferred tax concerns		
	Intangible assets	19	57
	Tangible fixed assets	4,459	3,382
	Current assets	-79	-25
	Liabilities other than provisions	-1,083	-629
	Total	3,316	2,785

A tax rate of 22% has been applied.

Note	DKKm	2014	2013
15	**Provisions**		
	Provisions at 1 January	4,182	3,417
	Provisions made during the year	266	141
	Additions in connection with business acquisition	80	0
	Change in present value	0	636
	Provisions consumed for the year	-13	-12
	Total	4,515	4,182
	Decommissioning provisions	4,360	4,020
	Other provisions	155	162
	Total	4,515	4,182
	Expected maturity of provisions:		
	Less than 1 year	200	167
	1-5 years	130	28
	More than 5 years	4,185	3,987
	Total	4,515	4,182

Decommissioning provisions relate to the removal of towers, overhead lines, natural gas facilities etc., as well as the decommissioning of property owned by third parties. The elements of uncertainty relate essentially to the time at which the related payments were effected.

In connection with the determination of the decommissioning provisions, Energinet.dk has calculated the expenses of dismantling and removing the non-current assets concerned on a disaggregated basis. The expense per disaggregated unit is stated in 2014 prices. The prices have been projected with an inflation rate until the year when the non-current asset in question is expected to be dismantled and removed. Assumptions and estimates underlying the calculation of the decommissioning provisions are reassessed once a year when the annual report is prepared. Newly built installations have resulted in an increase in provisions of DKK 128 million and acquisitions of DKK 80 million. At 31 December 2014, the total decommissioning provisions constituted DKK 4,360 million.

Note	DKKm	2014	2013
16	**Payables to credit institutions and mortgage credit institutions**		
	Payables to mortgage credit institutions	112	112
	Payables to credit institutions	20,910	16,184
	Long-term loans	21,022	16,296

Primary financial instruments 2014

Lender	Principal	Currency	Nom. interest rate	Expiry	Carrying amount	Carrying amount incl. swaps
Danmarks Nationalbank	1,115	DKK	4.00	2015	1,146	1,135
Danmarks Nationalbank	1,490	DKK	4.00	2017	1,542	1,506
Danmarks Nationalbank	500	DKK	4.00	2019	554	554
Danmarks Nationalbank	1,000	DKK	3.00	2021	1,089	1,089
Danmarks Nationalbank	1,500	DKK	1.50	2023	1,503	1,503
Danmarks Nationalbank	3,000	DKK	0.10	2023	3,117	3,117
Danmarks Nationalbank	1,000	DKK	7.00	2024	1,332	956
Danmarks Nationalbank	2,200	DKK	1.75	2025	2,313	2,313
Danmarks Nationalbank	4,400	DKK	4.50	2039	6,376	6,376
RD	112	DKK	4.76	2027	112	112
DePfa	1,500	DKK	Floating	2036	938	965
Nordea	1,000	DKK	Floating	2015	1,000	1,000
Total, Group					21,022	20,626

The portfolio of liabilities amounts to DKK 21,022 million. Of this amount, a nominal amount of DKK 2,221 million falls due in 2015. The amount is stated as a short-term liability other than provisions under 'Current maturities of long-term liabilities other than provisions'.

	2014	2013
Following conversion into DKK, the aggregate principal falls due as follows:		
Less than 1 year	2,221	75
1-5 years	2,395	3,002
More than 5 years	16,406	13,219
Total	21,022	16,296

DKKm	Other receiva-bles	Other payables	Loans	Total
Maturities of loans and associated swaps:				
Less than 1 year	-11		2,221	2,210
1-5 years	-36	27	2,395	2,386
More than 5 years	-595	220	16,406	16,030
Total	-642	247	21,022	20,626

The portfolio of liabilities amounts to DKK 21,022 million. Of this amount, a nominal amount of DKK 2,221 million falls due in 2015. The amount is stated as a short-term liability other than provisions under 'Current maturities of long-term liabilities other than provisions'.

Note	DKKm	2014	2013
17	**Prepayments**		
	EU grants	196	187
	Other deferred income	143	138
	Total	339	325
	Expected maturity of deferred income:		
	Less than 1 year	10	7
	1-5 years	176	171
	More than 5 years	153	147
	Total	339	325
18	**Lease commitment**		
	Expected maturity of lease commitments:		
	Less than 1 year	6	6
	1-5 years	26	26
	More than 5 years	26	32
	Total	58	64
19	**Corporation tax**		
	Corporation tax payable at 1 January	0	-65
	Current tax for the year	11	113
	Paid corporation tax for the year	-40	-149
	Tax refund in respect of previous years	40	103
	Correction in respect of previous years	-40	-2
	Total	-29	0
20	**Other payables**		
	Commitments on subsidies for research and development	470	452
	Pay-related items	103	100
	Market value of financial instruments	274	140
	Interest payable	68	96
	Energy settlement	893	797
	Other	527	435
	Total	2,335	2,020

Note	DKKm	Ener-ginet.dk Lille Torup Gaslager A/S	Energi-net.dk Stenlille Gaslager A/S	2014	2013
21	**Business combinations (company acquisitions)**				
	Intangible assets	0	391	391	0
	Tangible fixed assets	513	1,945	2,458	0
	Provisions	-113	-485	-598	0
	Other assets and liabilities	0	-31	-31	0
	Cost price including acquisition costs	**400**	**1,820**	**2,220**	**0**
	Cash and cash equivalents, acquired in company		5	5	0
	Total	400	1,815	2,215	0

On 31 December 2014, Energinet.dk took over DONG Storage A/S (Stenlille Gaslager) for a total purchase price of DKK 1,820 million.

On 31 December 2014, Energinet.dk settled the earn-out in connection with the acquisition of the Lille Torup gas storage facility. The earn-out was originally agreed in 2007 for expected settlement in 2030. As part of the acquisition of DONG Storage A/S, the earn-out was renegotiated at a purchase price of DKK 400 million.

22 Provision of security and charges

Land, buildings and plant concerning gas-related activities, the carrying amount of which constituted DKK 5,327 million at year-end, have been provided as security for payables to mortgage credit institutions in the amount of DKK 112 million (2013: DKK 5,375 million).

The shareholding in Energinet.dk Lille Torup Gaslager Holding A/S has been provided as security for balances with credit institutions in the amount of DKK 938 million (2013: DKK 1,012 million).

The shareholding in Energinet.dk Stenlille Gaslager Holding A/S has been provided as security for balances with credit institutions in the amount of DKK 1,000 million (2013: not relevant).

Energinet.dk has issued guarantees totalling EUR 27 million to its partners (2013: DKK 33 million) and NOK 5 million (2013: NOK 5 million).

Note DKKm

23 **Derivative financial instruments**

The Energinet.dk Group has entered into a number of financial contracts with a view to hedging interest and foreign currency risks. As such, currency swap agreements have been concluded in order to hedge foreign currency risks relating to the enterprise's loan portfolio in foreign currencies. Reference is made to the risk management section in the financial review. Moreover, interest rate swap agreements have been entered into with a view to managing the interest rate risk attaching to the loan portfolio. Reference is also made to the description in the management's review.

Currency risks of loans	Currency loans	Swap deposits in currencies	Swap deposits in DKK	Swap loans in DKK	Market value	Expiry
SEK	-1,170	1,170	918	-942	-23	2015
Total	-1,170	1,170	918	-942	-23	

In terms of their impact on results, the market value of currency swap agreements amounts to DKK -23 million and is equal to similar value adjustments of the hedged loans. The market value is recognised under 'Other payables'.

Currency risks in connection with contracts and raw materials	Currency contract	Date of maturity	Contract in DKK	Date of maturity in DKK	Market value	Expiry
SEK	-77	77	-63	60	-3	2015-2016
Total	-77	77	-63	60	-3	

Forward exchange transactions to hedge currency risks in contracts have been entered into. The market value is DKK -3 million and is stated under 'Other receivables'.

Interest rate risks of loans	Nominel	Market value	Expiry
Fixed to floating	-1,000	595	2024
Floating to fixed	1,000	-140	2019
Floating to fixed	1,000	-79	2024
Fixed to floating	-500	11	2015
Fixed to floating	-500	36	2017
Floating to fixed	938	-9	2015
Floating to fixed	900	-18	2020
Total	1,838	396	

The market value of interest rate swap agreements is DKK 396 million, with DKK -247 million being stated under 'Other payables' and DKK 642 million being stated under 'Other receivables'.

Note

24 **Contingent liabilities and other financial liabilities**

As part of the enterprise's normal activities, Energinet.dk is party to a number of other legal disputes. Some of these disputes involve substantial amounts, but none of the disputes are currently expected to materially impact the coming financial years.

Vattenfall Europe Transmissions GmbH and Vattenfall Trading Services GmbH have instituted proceedings against Energi E2 A/S (DONG Energy A/S), which supplied electricity under the KONTEK agreement until July 2006. The two parties want Energi E2 A/S to refund capacity payments and pay damages for non-deliveries of electricity due to disconnection of the cable and congestion. Energinet.dk owns the KONTEK Link and has therefore become involved in the case. The matter was settled in the Danish High Court on 25 October 2013 where Energinet.dk was ordered to pay DKK 35 million in damages plus interest. The plaintiff has decided to lodge an appeal with the Danish Supreme Court.

Energinet.dk has rent commitments of DKK 80 million (2013: DKK 80 million), of which DKK 16 million falls due within 1 year and DKK 32 million between 2 and 5 years.

Energinet.dk has lease commitments of DKK 10 million (2013: DKK 10 million), of which DKK 4 million falls due within 1 year and DKK 6 million between 2 and 5 years.

Energinet.dk Associated Activities A/S is liable for contingent liabilities arising from the demerger of Eltra 409 A/S. In so far as contingent liabilities in respect of Eltra 409 A/S may arise, such contingent liabilities must be fully borne by Energinet.dk Associated Activities A/S.

25 **Fees to external and internal auditors**

Rigsrevisionen does not charge a fee for its auditing services.

DKKm

PricewaterhouseCoopers	2014	2013
Auditing of consolidated financial statements and annual reports:	1	1
Other audit reports	0	0
Tax-related services	1	0
Other services	3	3
Total	5	4

Note		
26	**Related parties**	Basis
	Danish Ministry of Climate, Energy and Building Stormgade 2-6 DK-1470 Copenhagen K	100% ownership
	Supervisory Board and Executive Board	Control of management

For further information on remuneration of the Executive Board and the Supervisory Board, see the section 'Transactions with related parties' on page 34.

Accounting policies

Accounting policies

The annual report of the independent public enterprise Energinet.dk for the period 1 January - 31 December 2014 has been prepared in accordance with the provisions of the Danish Financial Statements Act and the Danish Act on Energinet.dk.

Energinet.dk is required by Danish legislation to prepare its annual report in pursuance of the provisions of the Danish Financial Statements Act that apply to state-owned public limited companies. As such, the annual report has been prepared in accordance with the requirements for class D enterprises.

The accounting policies have been applied consistently with the annual report for 2013.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when they are probable and their value can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each individual item below.

Certain financial assets and liabilities are measured at amortised cost, with a constant effective interest rate being recognised until maturity. Amortised cost is stated as original cost less any repayments plus/minus accumulated amortisation of the difference between cost and nominal amount.

On recognition and measurement, account is taken of any gains, losses and risks which occur before the annual report is presented and which confirm or invalidate circumstances existing at the balance sheet date.

Income is recognised in the income statement as earned, and value adjustments of financial assets and liabilities measured at fair value or amortised cost are also recognised. Furthermore, expenses incurred to achieve the earnings for the year, including depreciation, amortisation, impairment losses, provisions and reversals due to changed accounting estimates, are recognised.

Consolidated financial statements

The consolidated financial statements comprise the Parent, Energinet.dk, and subsidiaries in which Energinet.dk holds more than 50% of the voting rights. Enterprises that are not subsidiaries, but in which Energinet.dk holds

20% or more of the voting rights and exercises significant influence on the operational and financial management of these enterprises, are treated as associates.
The consolidated financial statements are derived from the financial statements of Energinet.dk and its subsidiaries and are prepared by combining items of a uniform nature and eliminating intercompany income and expenses, intercompany balances, dividend, and profit and loss from internal transactions.

The acquisition of new enterprises is based on the purchase method according to which the identified assets and liabilities of newly acquired enterprises are measured at fair value at the date of acquisition. The tax effect of revaluations made is taken into account.

Positive balances (goodwill) between the acquisition cost and the fair value of acquired, identified assets and liabilities are recognised under 'Intangible assets' and amortised systematically in the income statement on the basis of an individual assessment of the economic life, which cannot exceed 20 years, however. Negative balances (negative goodwill), which reflect an expected unfavourable development in the enterprises concerned, are recognised in the balance sheet under 'Provisions' and are recognised in the income statement as such losses or expenses are realised or transferred to 'Other provisions' as the liabilities become current and can be determined reliably.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the acquisition.

Energinet.dk's equity investments in subsidiaries are eliminated against the subsidiaries' equity value at the date of acquisition (past equity method). The subsidiaries' financial statements, which are used for the consolidation, are prepared in accordance with the accounting policies applied by the Group.

Enterprises recently acquired or formed are recognised in the consolidated financial statements from the date of acquisition and when Energinet.dk obtains a controlling interest in the enterprise. Enterprises divested are recognised until the date of disposal.

Comparative figures are not restated for newly acquired, sold and divested enterprises or activities. Profit/loss from the disposal or divestment of subsidiaries and associates is determined as the difference between the selling price or the divestment price and the carrying amount of net assets at the date of disposal, including non-amortised goodwill as well as anticipated selling and divestment costs.

Foreign currency translation

Foreign currency transactions are translated on initial recognition at the rate of exchange at the transaction date. Exchange differences arising between the rate of exchange at the date of transaction and the rate of exchange at the date of payment are recognised in the income statement under 'Financial income' and 'Financial expenses'.

Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the rate of exchange at the balance sheet date. The difference between the rate of exchange at the balance sheet date and the rate of exchange at the time when the receivable or payable came into existence or was recognised in the latest annual report is recognised in the income statement under 'Financial income' and 'Financial expenses'.

On recognition of foreign subsidiaries and associates, such subsidiaries and associates are treated as separate entities whose income statements are translated at an average rate of exchange, and the balance sheet items are translated at the rate of exchange at the balance sheet date. Exchange differences resulting from the translation of foreign subsidiaries' equity at the beginning of the year at the rates of exchange at the balance sheet date and the translation of income statements from average rates of exchange to the rates of exchange at the balance sheet date are recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently measured at their fair values. Positive and negative fair values of derivative financial instruments are included under 'Other receivables' and 'Other payables', respectively.

Changes in the fair values of derivative financial instruments classified as and complying with the criteria for the fair value hedging of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair values of derivative financial instruments classified as and complying with the criteria for the hedging of future transactions are recognised directly in equity under 'Reserve for hedging transactions'. If the expected future transaction results in the acquisition of non-financial assets or liabilities, amounts which are deferred under equity are transferred from equity to the cost of the asset. If the expected future transaction results in income or expenses, amounts deferred under equity are transferred from equity by realising the hedged asset and recognised in the same item as the

hedged asset. In case of derivative financial instruments not complying with the criteria for being treated as hedging instruments, the changes are recognised.

Income statement

Revenue

Revenue includes the transmission of electricity and natural gas as well as related services. Revenue is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the year and the income can be calculated reliably and is expected to be received.

Revenue includes payments from Energinet.dk's customers which it has a statutory obligation to collect and manage, and which must be passed on to the producers of environmentally friendly electricity. Revenue thus indicates the total scope of the activities managed by Energinet.dk.

Revenue is presented in the income statement less taxes and VAT.

Excess revenue/deficit is recognised in the income statement as a separate correcting entry for revenue.

Grants from European Energy Programme for Recovery

Grants from the European Energy Programme for Recovery are recognised in the income statement when the conditions for receiving the grant have been met. The purpose of the grants is to ensure recovery through support for economic activities in the EU and thus employment. The grant is transferred to an undistributable reserve in equity which is subsequently systematically reversed via the account for excess revenue/deficit in the income statement.

Other EU investment grants are recognised in the balance sheet under prepayments and recognised as income as the assets to which they relate are depreciated.

Other operating income

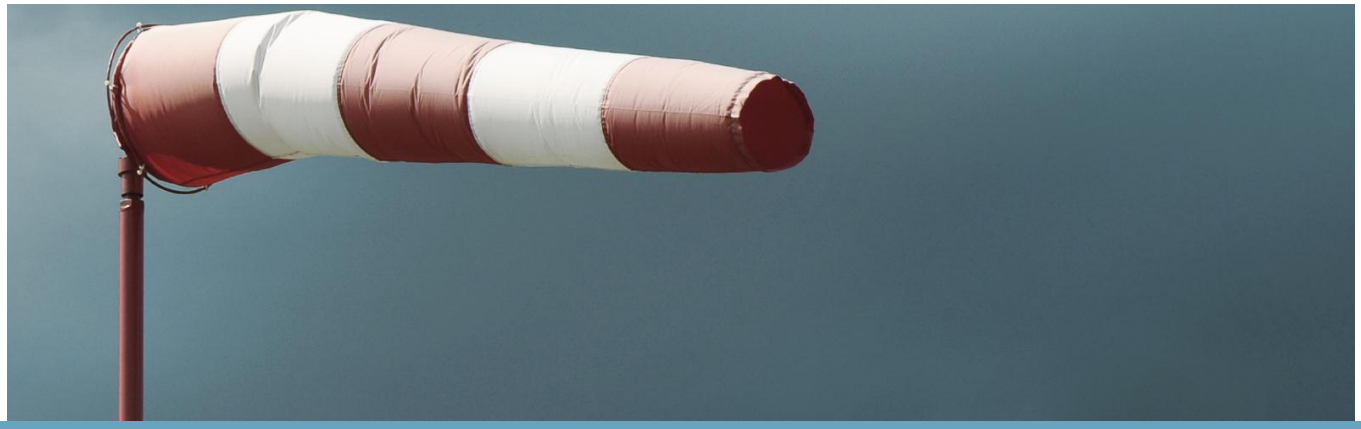
Other operating income comprises items of a secondary nature.

Other external expenses

Other external expenses include costs of a primary nature in relation to transmission and system activities within the fields of electricity and gas.

Staff costs

Staff costs include salaries and wages, remuneration, pension contributions and other staff costs pertaining to



Energinet.dk's employees, including the Supervisory Board and Executive Board.
Research and development costs not complying with the criteria for capitalisation are recognised under 'Other external expenses' and 'Staff costs'.

Depreciation, amortisation and impairment losses
This item includes the year's depreciation, amortisation and impairment losses for tangible and intangible assets.

Profit/loss in associates
The proportionate share of the individual associates' net profit/loss after elimination of intercompany profit/loss and less amortisation of goodwill is recognised in the income statement.

Financial income and expenses
Financial income and expenses include interest income and expenses, foreign exchange gains and losses relating to securities, debt and transactions in foreign currency, indexation of the remaining debt regarding index-linked loans, and amortisation of financial assets and liabilities. Financial income and expenses are recognised with the amounts pertaining to the financial year.

Tax on profit/loss for the year
Energinet.dk is jointly taxed with its Danish consolidated enterprises. The enterprise acts as an administration company, which means that the total Danish tax for all consolidated enterprises is paid by Energinet.dk.

Current Danish corporation tax is still allocated to the jointly taxed enterprises in proportion to their taxable income (full allocation).

The tax for the year, which comprises the current tax for the year and any changes in deferred tax, is recognised in the income statement with the share attributable to the net profit/loss for the year and directly in equity with the share attributable to items recognised directly in equity. The share of the tax recognised in the income statement relating to the extraordinary profit/loss for the year is attributable to the tax for the year, while the remaining share is attributable to the profit/loss from ordinary activities for the year.
The jointly taxed enterprises subscribe to the Tax Prepayment Scheme. Supplementary payments, allowances and refunds relating to the tax payments are recognised under net financials.

Segment information
Segment information is provided for the electricity and gas system segments. Segment information is in line with the Group's accounting policies, risks and internal financial management.

Assets

Intangible assets

Intangible assets comprise goodwill, rights, development projects and software. Assets under construction are measured at cost.

Cost comprises the acquisition cost and any expenses directly related to the acquisition up until the time when the asset is ready for entry into service. For internally developed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour. Furthermore, any finance costs attributable to the cost are recognised.

Rights include the right to charge for ancillary services, transit agreements, fixed-price contracts for gas storage capacity, connection of offshore wind turbines to the grid etc.

Clearly defined and identifiable development projects which are intended to be used and where the technical rate of utilisation, the existence of sufficient resources and a future development potential in the enterprise can be demonstrated are recognised as intangible assets if there is sufficient certainty that the value in use of the future earnings covers the development costs.

Development projects not complying with the criteria for recognition in the balance sheet are recognised as costs in the income statement when incurred.

Capitalised intangible assets are measured at the lower of cost less accumulated amortisation and recoverable amount. In addition, decommissioning costs are recognised as a part of the cost.

Amortisation is provided using the straight-line method over the expected useful lives of the assets based on the following assessment of their expected useful lives:

Goodwill	20 years
Rights	10-20 years
Software	3-5 years
Development projects	5 years

Acquisitions in the financial year are amortised proportionately from the date of entry into service.

Intangible assets are written down to the lower of recoverable amount and carrying amount.

Profit/loss from the sale of intangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Any profit/loss is recognised in the income statement under 'Other operating income' or 'Other external expenses'.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and impairment losses.

Tangible fixed assets in progress are measured at cost. Extensive value-adding changes and improvements of tangible fixed assets are recognised as assets.

Cost comprises the acquisition cost and any expenses directly related to the acquisition up until the time when the asset is ready for entry into service. For internally developed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour. Furthermore, any finance costs attributable to the cost are recognised. In addition, decommissioning costs are recognised as a part of the cost.

For assets held under finance leases, the cost is determined on the date of conclusion of the contract at the lower of the assets' fair values and the present value of future minimum lease payments. When calculating the present value, the lease contract's internal rate of return is used as the discount rate.

Amortisation is provided using the straight-line method over the expected useful lives of the assets based on the following assessment of their expected useful lives:

Land	Is not depreciated
Buildings	20-100 years
Infrastructure	10-60 years
Cushion gas	Is not depreciated
Other plant, tools and operating equipment	3-10 years

New acquisitions with acquisition costs of less than DKK 100,000 are charged to the income statement in the acquisition year.

Acquisitions in the financial year are depreciated proportionately from the date of entry into service. Expenses relating to extensive maintenance checks are recognised at the acquisition cost of infrastructure as a separate non-current asset which is depreciated over its useful life, ie the period until the next maintenance check. On the original acquisition of tangible fixed assets, account is also taken of the shorter useful life of a particular part of the asset, and for accounting purposes the part concerned is therefore treated at the date of acquisition as a separate asset with a shorter useful life and thus depreciation period.

Tangible fixed assets are written down to the lower of recoverable amount and carrying amount.

An impairment test of tangible fixed assets is carried out when there is an indication of impairment. The impairment test compares the recoverable amount and the carrying amount of the tested asset. Impairment losses are recognised when the carrying amount of an asset or cash-generating unit (CGU) exceeds the recoverable amount of the asset or cash-generating unit.

The recoverable amount of tangible fixed assets is the highest value of the assets' fair value less expected disposal costs and the present value of the expected future net cash flows (value in use).

Prepayments on tangible fixed assets not delivered are capitalised.

Interest and borrowing costs in relation to loans obtained to finance prepayments on tangible fixed assets not delivered are recognised as a part of the acquisition cost of such tangible fixed assets.

Profit/loss from the sale or scrapping of tangible fixed assets is determined as the difference between the selling price less dismounting, selling and decommissioning costs and the carrying amount at the time of sale or scrapping.

Any profit/loss is recognised in the income statement under 'Other operating income' or 'Other external expenses'.

Investments

Equity investments in associates are measured according to the equity method.

Other equity investments and other investments are measured at their fair values provided the asset is expected to be disposed of before maturity. Assets held to maturity are measured at amortised cost. All fair value adjustments (with the exception of repayments) are recognised in the income statement.

Equity investments in associates are measured in the balance sheet as the proportionate share of the equity value of the enterprise concerned determined on the basis of the accounting policies applied by the Parent plus or minus unrealised intercompany profits/losses.

Net revaluation of equity investments in associates is transferred to 'Excess revenue/deficit' under equity according to the equity method in so far as the carrying amount exceeds the cost.

Inventories

Inventories comprise natural gas in the storage facilities as well as components and other technical spare parts in stock.

Inventories are measured at the lower of cost and net realisable value.

The net realisable value of inventories is determined as the selling price less costs of completion and costs pertaining to the completion of the sale and is determined with due consideration being given to marketability, obsolescence and the development in the expected selling price.

Deficit

Negative differences between realised income and the sum of necessary costs for the business areas for electricity and gas, respectively, are entered as a separate item in the balance sheet for subsequent inclusion in the tariffs.

Receivables

Receivables are measured at amortised cost. Write-downs are performed for anticipated uncollectibles.

Prepayments (asset)

Prepayments include prepaid expenses incurred.

Equity

Dividend

In pursuance of Section 13 of the Danish Act on Energinet.dk, Energinet.dk is not allowed to distribute any profit or equity to the Danish state through the distribution of dividend or in any other way.

Contributed capital

The contributed capital indicates the net value of assets and liabilities contributed in connection with the formation of Energinet.dk. The actual value of the contributed capital is hedged through annual capitalisation as determined by the Danish Energy Regulatory Authority.

Other reserves

Other reserves comprise rents from interconnections for future investment in expanding the electricity infrastructure transferred to reserves with a view to reducing power grid congestion. The provision is made in accordance with special legislation in this area. Grants from the European Energy Programme for Recovery have been transferred to other reserves.

Furthermore, the item includes profits/losses in subsidiaries, fair value adjustments of the hedging instruments meeting the requirements for hedging future cash flows

and adjustments of deferred tax liabilities for subsequent inclusion in the tariffs which are taken directly to equity.

Equity and liabilities

Provisions

Provisions are recognised when the Energinet.dk Group has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle such obligation provided that such obligation can be determined reliably. Decommissioning provisions are measured at the present value at the balance sheet date of the expected future provision to cover the future costs of demolition and clean-up after plants that are no longer going to be used. The provision is determined based on the estimated costs which are discounted to present value. A discount rate reflecting Energinet.dk's general interest rate level is used. The provisions are recognised as incurred and are adjusted regularly in order to reflect changes in price level, inflation and discount rate. As the determination includes a number of estimates, only changes in the provision representing significant changes in the assumptions are recognised. The value of the recognised provision is recognised under tangible fixed assets and is depreciated along with the relevant assets. The time increase of the present value of the provision is recognised in the net profit/loss for the year under financial expenses.

Corporation tax and deferred tax

According to the joint taxation rules, Energinet.dk is – in its capacity as an administration company – liable for the payment of the corporation tax of its subsidiaries to the Danish tax authorities concurrently with the subsidiaries' payment of joint taxation contributions.

Current tax liabilities and current tax receivables are recognised in the balance sheet as tax calculated on the taxable income for the period adjusted for tax on the taxable income of previous years and for taxes paid on account.

Deferred tax is measured under the balance-sheet liability method based on all the temporary differences between the carrying amount and the tax base of assets and liabilities on the basis of the tax rate adopted at the balance sheet date.

However, deferred tax is not recognised on temporary differences relating to the amortisation of goodwill disallowed for tax purposes, office buildings and other items in connection with which temporary differences with the exception of acquisitions have arisen at the date of acquisition without affecting the result or the taxable income.

Liabilities other than provisions

Payables to mortgage credit institutions and credit institutions are recognised initially at the proceeds received, net of transaction costs incurred. Subsequently, financial

liabilities are recognised at amortised cost corresponding to the capitalised value when using the effective rate of interest so that the difference between the proceeds and the nominal value is recognised in the income statement over the entire loan period under 'Net financials'. Other liabilities other than provisions, which comprise trade payables, payables to associates, and other payables, are measured at amortised cost.

Excess revenue

Positive differences between realised income and the sum of necessary costs for the electricity and gas business segments are entered as a separate item in the balance sheet for subsequent inclusion in the tariffs.

Deferred income (liability)

Deferred income comprises prepayments received in relation to income to be deferred to subsequent years and EU grants received for construction projects. The grants are recognised in the income statement as depreciation is provided for the facilities to which the grants relate.

Contingent liabilities and other financial liabilities

Contingent liabilities and other financial liabilities comprise circumstances or situations existing at the balance sheet date, the accounting effect of which cannot be finally determined until the outcome of one or more uncertain future events is known.

Cash flow statement

The cash flow statement is based on the indirect method, using the operating profit/loss as a point of departure. The cash flow statement shows the cash flows for the year as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are determined as the operating profit/loss adjusted for non-cash operating items, financial income and expenses, paid corporation tax and changes in the working capital.

Cash flows from investing activities

Cash flows from investing activities comprise the purchase and sale of non-current assets and dividend received.

Cash flows from financing activities

Cash flows from financing activities comprise the repayment and arrangement of short-term and long-term payables with mortgage credit institutions and credit institutions.

Net cash and cash equivalents/payables to credit institutions

Net cash and cash equivalents/payables to credit institutions comprise balances with credit institutions and cash and cash equivalents.

Definitions of key figures and ratios

EBITDA margin	EBITDA / Revenue x 100
Operating cash flow/debt	Operating activity x 100 / Interest-bearing debt
Solvency ratio	Equity x 100 / Balance sheet total
Rate of costs, operating expenses	Operating expenses x 100 / Carrying amount, non-current assets beginning of year
Operating expenses	Operating expenses comprise administrative expenses and staff costs
EBITDA	Profit/loss before depreciation, amortisation and impairment losses, net financials and tax
Strengthening of contributed capital	The year's actual value of the contributed capital according to the price index announced by the Danish Energy Regulatory Authority.
Price-index regulation announced by the Danish Energy Regulatory Authority	Index increase according to the price index announced by the Danish Energy Regulatory Authority.
No. of occupational injuries, own staff per million working hours	No. of lost-time injuries among own staff per million working hours in accordance with the reporting rules of the Danish Working Environment Authority.
Employee turnover	(New arrivals + departures)/2 x 100 / No. of employees, end of year
Employees	No. of full-time employees converted using the ATP method
Absence due to illness	No. of hours of absence due to illness x 100 / No. of contractual working hours
Nord Pool Spot purchases relative to consumption	Volume MWh Buy in DK1+DK2 according to Nord Pool Spot x 100 / Volume MWh consumption in DK1 and DK2
Nord Pool Spot sales relative to consumption	Volume MWh Sell in DK1+DK2 according to Nord Pool Spot x 100 / Volume MWh consumption in DK1 and DK2
Gas volume traded at GTF relative to consumed volume	Volume gas traded at Gas Transfer Facility (GTF) x 100 / volume gas consumption in Denmark
Nord Pool Gas purchases and sales	Volume gas traded at Nord Pool Gas x 100 / volume gas consumption in Denmark
No. of disconnections in 150/400 kV power grids	No. of disconnections per 1,000 km pipeline
Delivery points affected by technical problems (gas)	Delivery points affected by technical problems (%). In a delivery point, gas is added/removed from Energinet.dk's transmission network.
Grid loss (GWh)	Loss on international connections + loss on connections to Læsø and Bornholm + loss on the Great Belt Power Link. Loss on Skagerrak and Konti-Skan is shared equally with Norway and Sweden.
SF_6 gas discharge relative to gas in use (%)	Weight of refilled SF_6 gas/Weight of SF_6 gas in use x 100.
Gas consumption at meter and regulator stations relative to flow (‰)	Gas consumption at meter and regulator stations in Nm^3/domestic consumption in Nm^3.
Discharge of natural gas from transmission relative to flow (‰)	Total volume of natural gas blown off and flared natural gas in Nm^3/Volume of natural gas transported in the transmission network in Nm^3.
Wind power generation relative to power consumption	Calculated on the basis of gross power consumption.
Renewable energy production relative to net power generation	Calculated on the basis of the measured net power generation using the Danish Energy Agency's calculation methods. Calculated by using preliminary data for 2012.

Income statement for the Parent

Note	DKKm	2014	2013
	Tariff revenue, grid and system	2,256	2,991
	Tariff revenue, PSO	6,908	5,734
	Tariff revenue, gas transmission	319	351
	Congestion rents	533	602
	Fee income for balancing the power system	166	164
	Other revenue	107	114
	Revenue	10,289	9,956
1	Excess revenue/deficit	777	-196
	EU grants	42	130
2	Other operating income	-4	55
	Total income	11,104	9,945
	External expenses	-9,240	-7,802
3	Staff costs	-338	-313
	Total costs	-9,578	-8,115
4	Depreciation, amortisation and impairment losses for tangible and intangible assets	-1,294	-1,212
	Profit before net financials	232	618
	Net profit/loss in subsidiaries	12	-462
	Net profit in associates after tax	0	1
5	Financial income	17	25
6	Financial expenses	-412	-419
	Profit/loss before tax	-150	-237
7	Tax on profit/loss for the year	25	274
	Net profit/loss for the year	-125	37
	The following distribution of the net profit/loss for the year is proposed:		
	Strengthening of contributed capital	0	0
	Net revaluation according to the equity method	-4	-461
	Transferred to other reserves	-121	498
	Total	-125	37

Assets for the Parent

Note	DKKm	2014	2013
	Intangible assets		
	Goodwill	168	180
	Rights	59	49
	Software	227	223
	Assets under construction and prepayments on intangible assets	236	72
8	**Total intangible assets**	**690**	**524**
	Tangible fixed assets		
	Land and buildings	418	470
	Infrastructure	28,626	24,672
	Cushion gas	303	297
	Other plant, tools and operating equipment	138	130
	Assets under construction and prepayments on tangible fixed assets	1,298	4,103
9	**Total tangible fixed assets**	**30,783**	**29,672**
	Investments		
	Equity investments in group enterprises	1,477	210
	Equity investments in associates	3	3
	Other equity investments	40	40
10	**Total investments**	**1,520**	**253**
	Total non-current assets	32,993	30,448
	Inventories	**81**	**310**
	Receivables		
	Trade receivables	155	434
	Receivables from group enterprises	18	485
18	Corporation tax	29	0
11	Other receivables	1,705	1,662
1	Deficit	698	242
12	Prepayments	390	325
	Total receivables	**2,995**	**3,148**
	Cash and cash equivalents	**113**	**26**
	Total current assets	3,189	3,484
	Total assets	36,182	33,932

Equity and liabilities for the Parent

Note	DKKm	2014	2013
	Equity		
	Contributed capital	3,157	3,157
	Strengthening of contributed capital	946	950
	Net revaluation according to the equity method	0	0
	Other reserves	1,767	1,891
	Total equity	5,870	5,998
	Provisions		
13	Deferred tax liabilities	2,534	2,507
14	Provisions	4,347	4,096
	Total provisions	6,881	6,603
	Long-term liabilities other than provisions		
15	Payables to credit institutions and mortgage debt	17,939	15,284
16	Deferred income	329	318
17	Lease commitments	52	58
	Total long-term liabilities other than provisions	**18,320**	**15,660**
	Short-term liabilities other than provisions		
15	Current maturities of long-term liabilities other than provisions	1,146	0
16	Current maturities of long-term deferred income	10	7
17	Current maturities of long-term lease commitment	6	6
	Debt, commercial papers	919	1,461
	Payables to credit institutions	7	645
	Trade payables	362	369
	Payables to group enterprises	128	615
1	Excess revenue	270	590
19	Other payables	2,263	1,978
	Total short-term liabilities other than provisions	**5,111**	**5,670**
	Total liabilities other than provisions	23,431	21,330
	Total equity and liabilities	36,182	33,932

20	Provision of security and charges
21	Derivative financial instruments
22	Contingent liabilities and other financial liabilities
23	Fees to external auditor
24	Related parties

Statement of changes in equity

DKKm	Contributed capital	Strengthening of contributed capital	Other reserves	Net revaluation according to the equity method	Total
Equity at 1 January 2013	3,157	950	1,854	0	5,961
Net profit/loss for the year			498	-461	37
Transfer			-439	439	0
Value adjustment of hedging instruments, beginning of year			-21	48	27
Value adjustment of hedging instruments, end of year			-1	-26	-27
Foreign currency translation adjustment of equity investments, beginning of year			-1	0	-1
Foreign currency translation adjustment of equity investments, end of year			1	0	1
Equity at 31 December 2013	3,157	950	1,891	0	5,998
Net profit/loss for the year		-4	-121	0	-125
Transfer			-3	3	0
Value adjustment of hedging instruments, beginning of year			1	26	27
Value adjustment of hedging instruments, end of year			-1	-29	-30
Foreign currency translation adjustment of equity investments, beginning of year			-1	0	-1
Foreign currency translation adjustment of equity investments, end of year			1	0	1
Equity at 31 December 2014	3,157	946	1,767	0	5,870

Other reserves (net) are profits which cannot be distributed under special legislation.

	Balance 1 January 2014	Move-ments of the peri-od	Balance at 31 Decem-ber 2014
Balance for other reserves can be specified as follows:			
Income from congestion rents transferred to reserves, incl. capitalisation	1,453	-126	1,327
EU grants transferred to reserves	497	18	515
Results from commercial activities	-287	12	-275
Depreciation of decommissioning costs in respect of facilities acquired before 1 January 2005	-153	8	-145
Unrealised translation adjustments, net financials	27	2	29
Adjustment of deferred tax	551	-27	524
Results of Regionale Net.dk A/S	-172	-8	-180
Fair value adjustment of financial instruments	-26	-3	-29
Foreign currency translation adjustment of equity investments	1	0	1
Other reserves at 31 December 2014	1,891	-124	1,767

DKKm	Congestion rents transferred to reserves	Capitalisation	Great Belt Power Link	Total
Balance for income from congestion rents transferred to reserves can be specified as follows:				
Balance at 1 January 2014	505	82	866	1,453
Annual transfer to reserves, incl. capitalisation	43	21	0	64
Transfer on commissioning of plant	0	0	0	0
Reversal to tariff base for the year	-195	0	-36	-231
Tax	37	-5	9	41
Balance at 31 December 2014	390	98	839	1,327

Notes

Note 1 Excess revenue/deficit 2013 DKKm	Balance at 1 January 2013	Adjustment	Movements of the period	Balance at 31 December 2013
Balance for excess revenue/deficit to be included in tariffs can be specified as follows:				
Power system	6	0	-150	-144
Gas system	-543	0	97	-446
Environmentally friendly energy – PSO	385	0	-143	242
Total excess revenue/deficit	-152	0	-196	-348

Excess revenue/deficit is recognised in the balance sheet as follows:	Total receivables	Short-term liabilities	Total
Power system		-144	-144
Gas system		-446	-446
Environmentally friendly energy – PSO	242		242
Total excess revenue/deficit	242	-590	-348

2014	Balance 1 January 2014	Adjustment	Movements of the period	Balance at 31 December 2014
Balance for excess revenue/deficit to be included in tariffs can be specified as follows:				
Power system	-144	0	188	44
Gas system	-446	0	177	-270
Environmentally friendly energy – PSO	242	0	412	654
Total excess revenue/deficit	-348	0	777	429

Excess revenue/deficit is recognised in the balance sheet as follows:	Total receivables	Short-term liabilities other than provisions	Total
Power system	44		44
Gas system		-270	-270
Environmentally friendly energy – PSO	654		654
Total excess revenue/deficit	698	-270	429

Note	DKKm	2014	2013
2	**Other operating income**		
	Profit/loss from the sale of emergency gas	-4	44
	Other miscellaneous income	0	11
	Total other operating income	-4	55
3	**Staff costs**		
	Wages and salaries	-454	-418
	Pensions	-48	-43
	Other social security costs	-5	-4
	Capitalised internal time	169	152
	Total	-338	-313
	Supervisory Board remuneration	-2	-2
	Executive Board remuneration	-9	-8
	For further information, see the section 'Remuneration of the Executive Board, Supervisory Board and Stakeholder Forum' on page 34.		
	Average number of employees	724	656
4	**Depreciation, amortisation and impairment losses for tangible and intangible assets**		
	Goodwill	-12	-12
	Rights	-3	-16
	Software	-110	-106
	Land and buildings	-5	-5
	Infrastructure	-1,108	-997
	Other plant, tools and operating equipment	-32	-24
	Assets under construction	-4	
	Impairment loss/scrapping	-20	-52
	Total	-1,294	-1,212
5	**Financial income**		
	Interest on bank deposits etc.	6	8
	Foreign exchange gains and fair value adjustments etc.	11	17
	Total	17	25

Note	DKKm	2014	2013
6	**Financial expenses**		
	Interest on balances with subsidiaries	-1	-3
	Interest on loans, bank debt etc.	-347	-372
	Capitalisation of decommissioning provisions	-130	-114
	Foreign exchange gains and fair value adjustments etc.	-4	-24
	Capitalised interest on construction projects	70	94
	Total	-412	-419
7	**Tax on profit/loss for the year**		
	Current tax for the year	13	-81
	Deferred tax for the year	-2	15
	Current tax regarding previous years	40	2
	Deferred tax regarding previous years	-26	-1
	Deferred tax relating to reduction of corporation tax rate	0	344
	Total	25	279
	Comprising:		
	Tax on profit/loss for the year	25	274
	Tax on changes in equity	0	5
	Total	25	279
	Tax rate adjustment		
	Corporation tax rate	24.5 %	25.0 %
	Tax effect of non-taxable income and non-deductible expenses	-16.6 %	7.0 %
	Tax effect of reduction of corporation tax rate, beginning of year	0.0 %	-153.0 %
	Tax effect of reduction of corporation tax rate, current year	-0.9 %	1.0 %
	Adjustment of tax in previous years	8.4 %	-0.8 %
	Effective tax rate for the year	15.4 %	-120.8 %
	Tax paid for the year	0	46

Note	DKKm	Goodwill	Rights	Software	Assets under construction	Total intangible assets
8	**Intangible assets**					
	Acquisition cost at 1 January	**0**	**386**	**738**	**72**	**1,196**
	Additions during the year	0	0	0	235	235
	Disposals during the year	0	0	-43	0	-43
	Additions relating to business acquisition	249	0	1	0	249
	Transfer to/from other items	0	-282	105	-72	-248
	Other adjustments	0	-21	18	1	-2
	Acquisition cost at 31 December	**249**	**83**	**819**	**236**	**1,387**
	Amortisation and impairment losses at 1 January	**0**	**-144**	**-515**	**0**	**-660**
	Amortisation and impairment losses for the year	-12	-3	-110	0	-125
	Additions relating to business acquisition	-68	0	-1	0	-69
	Reversals on disposals for the year	0	0	37	0	37
	Transfer to/from other items	0	120	0	0	120
	Other adjustments	1	3	-3	0	0
	Depreciation and impairment losses at 31 December	**-81**	**-24**	**-592**	**0**	**-697**
	Carrying amount at 31 December	168	59	227	236	690

Note	DKKm	Land and buildings	Infra-structure	Cushion gas	Other plant	Assets under construc-tion	Total tangible fixed assets
9	**Tangible fixed assets**						
	Acquisition cost at 1 January	**535**	**23,459**	**298**	**315**	**4,103**	**28,710**
	Additions during the year	1	127	0	0	2,211	2,339
	Disposals during the year	0	-38	0	-10	0	-48
	Additions relating to business acquisition	0	11,707	0	3	150	11,860
	Transfer to/from other items	-55	5,411	6	40	-5,154	248
	Other adjustments	3	-203	-1	1	34	-166
	Acquisition cost at 31 December	**484**	**40,464**	**303**	**349**	**1,344**	**42,943**
	Depreciation and impairment losses at 1 January	**-64**	**-9,277**	**0**	**-185**	**0**	**-9,526**
	Depreciation and impairment losses for the year	-5	-1,108	0	-32	-4	-1,149
	Additions relating to business acquisition	0	-1,372	0	-1	0	-1,373
	Reversals on disposals for the year	0	27	0	8	0	35
	Transfer to/from other items	2	-107	0	0	0	-105
	Other adjustments	1	0	0	-1	-42	-42
	Depreciation and impairment losses at 31 December	**-66**	**-11,838**	**0**	**-211**	**-46**	**-12,160**
	Carrying amount at 31 December	418	28,626	303	138	1,298	30,783

Finance costs totalling DKK 242 million have been capitalised under 'Non-current assets', including DKK 70 million in 2014.

Note	DKKm	Equity investments in subsidiaries	Equity investments in associates	Other equity investments	Total investments
10	**Investments**				
	Acquisition cost at 1 January	**8,449**	**3**	**40**	**8,492**
	Additions during the year	1,250	0	0	1,250
	Disposals during the year	-7,929	0	0	-7,929
	Acquisition cost at 31 December	**1,770**	**3**	**40**	**1,813**
	Value adjustments at 1 January	**-395**	**0**	**0**	**-395**
	Additions during the year	0	0	0	85
	Disposals during the year	85	0	0	0
	Dividend paid	0	0	0	0
	Net profit/loss for the year	12	0	0	13
	Equity adjustments	5	0	0	4
	Foreign currency translation adjustments concerning foreign entities	0	0	0	0
	Value adjustments at 31 December	**-293**	**0**	**0**	**-293**
	Carrying amount at 31 December	1,477	3	40	1,520

	Name	Domicile	Ownership	Share capital (DKKm)	Parent 2014
	Equity investments in subsidiaries				
	Energinet.dk Associated Activities A/S	Fredericia	100 %	0.5	35
	Energinet.dk Lille Torup Gaslager Holding A/S	Fredericia	100 %	50	585
	Energinet.dk Stenlille Gaslager Holding A/S	Fredericia	100 %	0.5	850
	Gaspoint Nordic A/S	Fredericia	100 %	2	7
	Under direct ownership, total			53	1,477

DKKm

Name	Domicile	Owner-ship	Share capital (DKKm)	Parent 2014
Equity investments in associates				
European Market Coupling Company GmbH*	Hamburg (DE)	20 %	EUR 1.6	3
Total				3

*) Being wound up. Associates are recognised and measured as independent entities.

Name	Domicile	Owner-ship	Share capital (DKKm)	Parent 2014
Other equity investments				
Dansk Gasteknisk Center A/S	Hørsholm (DK)	15.6 %	DKK 9	1
Nord Pool Spot AS	Oslo (N)	18.8 %	NOK 54	36
Capacity Allocation Service Company.eu S.A.	Luxembourg (L)	7.1 %	EUR 42	3
Prisma European Capacity Platform GmbH	Leipzig (DE)	7.3 %	EUR 0	0
Total				40

Total investments	1,520

11	**Other receivables**		
	Market value of financial instruments	642	545
	Energy settlement	1,022	997
	Other receivables	41	119
	Total	1,705	1,661
	Expected maturity of other receivables:		
	Less than 1 year	1,074	1,115
	1-5 years	36	56
	More than 5 years	595	490
	Total	1,705	1,661
12	**Deferred income**		
	EU grants	290	246
	Prepayments	100	79
	Total	390	325
	Expected maturity of other receivables:		
	Less than 1 year	390	325
	1-5 years	0	0
	More than 5 years	0	0
	Total	390	325
13	**Deferred tax liabilities**		
	Deferred tax at 1 January	2,507	2,864
	Adjustment in respect of previous years	26	1
	Deferred tax relating to reduction of corporation tax rate	0	-345
	Change in deferred tax concerning profit/loss for the year	1	-8
	Change concerning hedging instruments	0	-5
	Total	2,534	2,507
	Deferred tax concerns		
	Intangible assets	19	57
	Tangible fixed assets	3,677	3,105
	Current assets	-79	-25
	Liabilities other than provisions	-1,083	-630
	Total	2,534	2,507

A tax rate of 22% has been applied.

Note	DKKm	2014	2013
14	**Provisions**		
	Provisions at 1 January	2,092	1,900
	Provisions made during the year	264	141
	Additions relating to merger	2,004	0
	Change in present value	0	63
	Provisions consumed for the year	-13	-12
	Total	4,347	2,092
	Decommissioning provisions	4,192	1,930
	Other provisions	155	162
	Total	4,347	2,092
	Expected maturity of provisions:		
	Less than 1 year	200	167
	1-5 years	130	28
	More than 5 years	4,017	1,897
	Total	4,347	2,092

Decommissioning provisions relate to the removal of towers, overhead lines, natural gas facilities etc., as well as the decommissioning of property owned by third parties. The elements of uncertainty relate essentially to the time at which the related payments were effected.

In connection with the determination of the decommissioning provisions, Energinet.dk has calculated the expenses of dismantling and removing the non-current assets concerned on a disaggregated basis. The expense per disaggregated unit is stated in 2014 prices. The prices have been projected with an inflation rate until the year when the non-current asset in question is expected to be dismantled and removed. Assumptions and estimates underlying the calculation of the decommissioning provisions are reassessed once a year when the annual report is prepared. In 2014, a merger between Regionale Net and the Parent transferred the decommissioning provisions to the Parent. Newly built installations have resulted in an increase in provisions of DKK 128 million. At 31 December 2014, the total decommissioning provisions constituted DKK 4,192 million.

Note	DKKm	2014	2013
15	**Payables to credit institutions and mortgage credit institutions**		
	Payables to mortgage credit institutions	112	112
	Payables to credit institutions	18,973	15,172
	Long-term loans	19,085	15,284

Primary financial instruments 2014

Lender	Principal	Currency	Nom. interest rate	Expiry	Carrying amount	Carrying amount incl. swaps
Danmarks Nationalbank	1,115	DKK	4.00	2015	1,146	1,135
Danmarks Nationalbank	1,490	DKK	4.00	2017	1,542	1,506
Danmarks Nationalbank	500	DKK	4.00	2019	554	554
Danmarks Nationalbank	1,000	DKK	3.00	2021	1,089	1,089
Danmarks Nationalbank	1,500	DKK	1.50	2023	1,503	1,503
Danmarks Nationalbank	3,000	DKK	0.10	2023	3,117	3,117
Danmarks Nationalbank	1,000	DKK	7.00	2024	1,332	956
Danmarks Nationalbank	2,200	DKK	1.75	2025	2,313	2,313
Danmarks Nationalbank	4,400	DKK	4.50	2039	6,377	6,377
RD	112	DKK	4.76	2027	112	112
Total, Parent					19,085	18,662

The portfolio of liabilities amounts to DKK 19,085 million. Of this amount, a nominal amount of DKK 1,146 million falls due in 2015. The amount is stated as a short-term liability other than provisions under 'Current maturities of long-term liabilities other than provisions'.

	2014	2013
Following conversion into DKK, the aggregate principal falls due as follows:		
Less than 1 year	1,146	0
1-5 years	2,096	2,702
More than 5 years	15,843	12,582
Total	19,085	15,284

DKKm	Other receiva-bles	Other payables	Loans	Total
Maturities of loans and associated swaps:				
Less than 1 year				
0	-11		1,146	1,135
1-5 years	-36		2,096	2,060
More than 5 years	-595	220	15,843	15,467
Total	-642	220	19,085	18,662

The portfolio of liabilities amounts to DKK 19,085 million. Of this amount, a nominal amount of DKK 1,146 million falls due in 2015. The amount is stated as a short-term liability other than provisions under 'Current maturities of long-term liabilities other than provisions'.

Note	DKKm	2014	2013
16	**Deferred income**		
	EU grants	196	187
	Other deferred income	143	138
	Total	339	325
	Expected maturity of deferred income:		
	Less than 1 year	10	7
	1-5 years	176	171
	More than 5 years	153	147
	Total	339	325
17	**Lease commitment**		
	Expected maturity of lease commitments:		
	Less than 1 year	6	6
	1-5 years	26	26
	More than 5 years	26	32
	Total	58	64
18	**Corporation tax**		
	Corporation tax payable at 1 January	0	-65
	Current tax for the year	10	113
	Paid corporation tax for the year	-40	-149
	Tax refund in respect of previous years	40	103
	Correction in respect of previous years	-39	-2
	Total	-29	0
19	**Other payables**		
	Commitments on subsidies for research and development	470	452
	Pay-related items	102	98
	Market value of financial instruments	247	104
	Interest payable	63	90
	Energy settlement	893	797
	Other	488	437
	Total	2,263	1,978

20 **Provision of security and charges**

Reference is made to Note 22 in the consolidated financial statements.

Note DKKm

21 **Derivative financial instruments**

The Energinet.dk Group has entered into a number of financial contracts with a view to hedging interest and foreign currency risks. As such, currency swap agreements have been concluded in order to hedge foreign currency risks relating to the enterprise's loan portfolio in foreign currencies. Reference is made to the risk management section in the financial review. Moreover, interest rate swap agreements have been entered into with a view to managing the interest rate risk attaching to the loan portfolio. Reference is also made to the description in the management's review.

Currency risks of loans	Currency loans	Swap deposits in currencies	Swap deposits in DKK	Swap loans in DKK	Market value	Expiry
SEK	-1,170	1,170	918	-942	-23	2015
Total	-1,170	1,170	918	-942	-23	

In terms of their impact on results, the market value adjustments of currency swap agreements amount to DKK -23 million and are equal to similar value adjustments of the hedged loans.

Currency risks in connection with contracts and raw materials	Currency contract	Date of maturity	Contract in DKK	Date of maturity in DKK	Market value	Expiry
SEK	-77	77	-63	60	-3	2015-2016
Total	-77	77	-63	60	-3	

Forward exchange transactions to hedge currency risks in contracts have been entered into. The market value is DKK -3 million and is stated under 'Other receivables'.

Interest rate risks of loans	Nominel	Market value	Expiry
Fixed to floating	-1,000	595	2024
Floating to fixed	1,000	-140	2019
Floating to fixed	1,000	-79	2024
Fixed to floating	-500	11	2015
Fixed to floating	-500	36	2017
Total	0	423	

The market value of interest rate swap agreements is DKK 423 million, with DKK -220 million being stated under 'Other payables' and DKK 642 million being stated under 'Other receivables'.

Note	
22	**Contingent liabilities and other financial liabilities** Reference is made to Note 24 in the consolidated financial statements.
23	**Fees to external and internal auditors** Reference is made to Note 25 in the consolidated financial statements.
24	**Related parties** Reference is made to Note 26 in the consolidated financial statements.

Accounting policies

The annual report of the independent public enterprise Energinet.dk for the period 1 January - 31 December 2014 has been prepared in accordance with the provisions of the Danish Financial Statements Act and the Danish Act on Energinet.dk.

Energinet.dk is required by Danish legislation to prepare its annual report in pursuance of the provisions of the Danish Financial Statements Act that apply to state-owned public limited companies. As such, the annual report has been prepared in accordance with the requirements for class D enterprises.

Reference is made to page 92 where the accounting policies applied by the Energinet.dk Group are described. Deviations from group policies are described below.

Investments

In the financial statements of the Parent, equity investments in subsidiaries are recognised according to the equity method, ie at the proportionate share of the carrying amount of such subsidiaries.

The share of the profit/loss in subsidiaries is recognised in the income statement of the Parent.

In the Parent, the total net revaluation of equity investments in the subsidiary is transferred via the distribution of net profit/loss to the reserve for net revaluation according to the equity method.

An impairment test of financial assets is carried out when there is an indication of impairment. The impairment test compares the recoverable amount and the carrying amount of the tested asset. Impairment losses are recognised when the carrying amount of an asset or cash-generating unit (CGU) exceeds the recoverable amount of the asset or cash-generating unit.

The recoverable amount of financial assets is the highest value of the assets' fair value less expected disposal costs and the present value of the expected future net cash flows (value in use).

Cash flow statement

No separate cash flow statement for the Parent has been prepared in accordance with Section 86 of the Danish Financial Statements Act. Reference is made to the cash flow statement for the Group in the consolidated annual report.

Segment note

No separate segment information is provided for the Parent. Reference is made to the segment note for the Group in the consolidated financial statements; see Note 1, page 74.

Statement by the Supervisory and Executive Boards on the annual report

The Supervisory and Executive Boards have on this day considered and adopted the annual report for 2014 for Energinet.dk.

The annual report and the management's review has been presented in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk.

In our opinion, the accounting policies applied are appropriate, the Group's internal control relevant to the preparation and presentation of the annual report is adequate and the annual report therefore gives a true and fair view of the Group's and the Parent's assets, liabilities and financial position at 31 December 2014, the results of the Group's and the Parent's operations and the Group's cash flows for the financial year 1 January - 31 December 2014.

In our opinion, the management's review provides a fair account of the development in the Group's and the Parent's operations and financial circumstances, of the results for the year and of the Group's and the Parent's financial position as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent.

Furthermore, in our opinion, the business procedures and internal control established which are covered by the consolidated financial statements and the financial statements comply with the Danish Act on Energinet.dk and other regulations as well as agreements concluded and generally accepted accounting principles.

The annual report and proposed appropriation account are submitted for approval by the Danish Minister for Climate, Energy and Building.

Fredericia, 19 March 2015

Executive Board

Peder Østermark Andreasen
President and CEO

Torben Thyregod
Executive Vice President, CFO

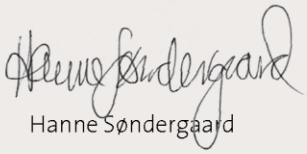
Torben Glar Nielsen
Executive Vice President, CTO

Supervisory Board

Niels Fog
Chairman

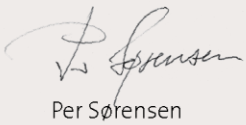
Birgitte Kiær Ahring

Charlotte Møller



Hanne Søndergaard

Hans Simonsen



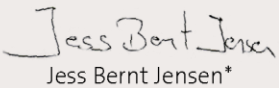
Per Sørensen

Peter Møllgaard

Poul Erik Morthorst

Berit Schilling*

Carl Erik Madsen*



Jess Bernt Jensen*

* Employee-elected

Internal auditors' report

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Energinet.dk for the period 1 January - 31 December 2014, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company as well as the consolidated cash flow statement. The Consolidated Financial Statements and Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk.

Management's Responsibility for the Consolidated Financial Statements and Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and the Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and the Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error; for selecting and applying appropriate accounting policies; and for making accounting estimates that are reasonable in the circumstances.

In addition, Management is responsible for ensuring that the transactions comprised by the Consolidated Financial Statements and the Parent Company Financial Statements comply with the appropriations granted, legislation and other regulations as well as agreements concluded and common practise.

Auditor's responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements in accordance with Danish audit regulation and generally accepted public auditing standards; see the Danish Act on the Auditing of Governmental Accounts etc. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent

Company Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the Consolidated Financial Statements and the Parent Company Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

An audit also includes assessing whether business procedures and internal control have been established which ensure that the transactions comprised by the Consolidated Financial Statements and the Parent Company Financial Statements comply with the appropriations granted, legislation and other regulations as well as agreements concluded and common practise.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2014 and of the results of the Group and the Parent Company operations as well as the consolidated cash flows for the financial year 1 January 2014 - 31 December 2014 in accordance with the Danish Financial Statements Act and the Act on Energinet.dk. Furthermore, in our opinion, business procedures and internal control have been established which ensure that the transactions comprised by the Consolidated Financial Statements and the Parent Company Financial Statements comply with the appropriations granted, legislation and other regulations as well as agreements concluded and common practise.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Com-

pany Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Fredericia, 19 March 2015
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Jens Otto Damgaard	Brian Christiansen
State Authorised	State Authorised
Public Accountant	Public Accountant

External auditors' report

Report on the Consolidated Financial Statements, Parent Company Financial Statements and Management's Review

We have audited the Consolidated Financial Statements, Parent Company Financial Statements and Management's Review of Energinet.dk for the financial year 1 January - 31 December 2014. The Consolidated Financial Statements and Parent Company Financial Statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent as well as the consolidated cash flow statement. The Consolidated Financial Statements, Parent Company Financial Statements and Management's Review are presented in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk.

With this auditor's report the audit of the annual report for 2014 is completed. Rigsrevisionen may, however, decide to further investigate issues relating to this and previous financial years. In this connection, new information may become available which may lead to reassessment of specific issues dealt with in this auditor's report.

Management's responsibility for the Consolidated Financial Statements, Parent Company Financial Statements and Management's Review

Management is responsible for the preparation and fair presentation of Consolidated Financial Statements and Parent Company Financial Statements in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Furthermore, Management is responsible for the preparation of a Management's Review that gives a fair account in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk. In addition, Management is responsible for ensuring that the transactions covered by the Consolidated Financial Statements and the Parent Company Financial Statements comply with the appropriations granted, legislation and other regulations as well as agreements concluded and common practice.

The auditor's responsibility and basis of audit opinion

Our responsibility is to express an opinion on the Consolidated Financial Statements, Parent Company Financial Statements and Management's Review based on our audit. We conducted our audit in accordance with good public-sector auditing practice; see the Auditor General's Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are correct and free from material misstatement. Good public-sector auditing practice is based on the Fundamental Auditing Principles (ISSAI 100-999) of the International Standards of Supreme Audit Instructions.

This means that our audit was conducted in order to verify whether the financial statements are correct, i.e. free from material misstatement, and whether the transactions covered by the Consolidated Financial Statements and Parent Company Financial Statements comply with the appropriations granted, legislation and other regulations as well as agreements concluded and common practice.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements, Parent Company Financial Statements and Management's Review. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, the Parent Company Financial Statements and Management's Review, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the enterprise's preparation and fair presentation of Consolidated Financial Statements and Parent Company Financial Statements and to the preparation of a Management's Review that includes a fair account in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the enterprise's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements, Parent Company Financial Statements and Management's Review. An audit also includes assessing whether business procedures and internal controls have been established which ensure that the transactions covered by the Consolidated Financial Statements and the Parent Company Financial Statements comply with the appropriations granted, legislation and other regulations as well as agreements concluded and common practice.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

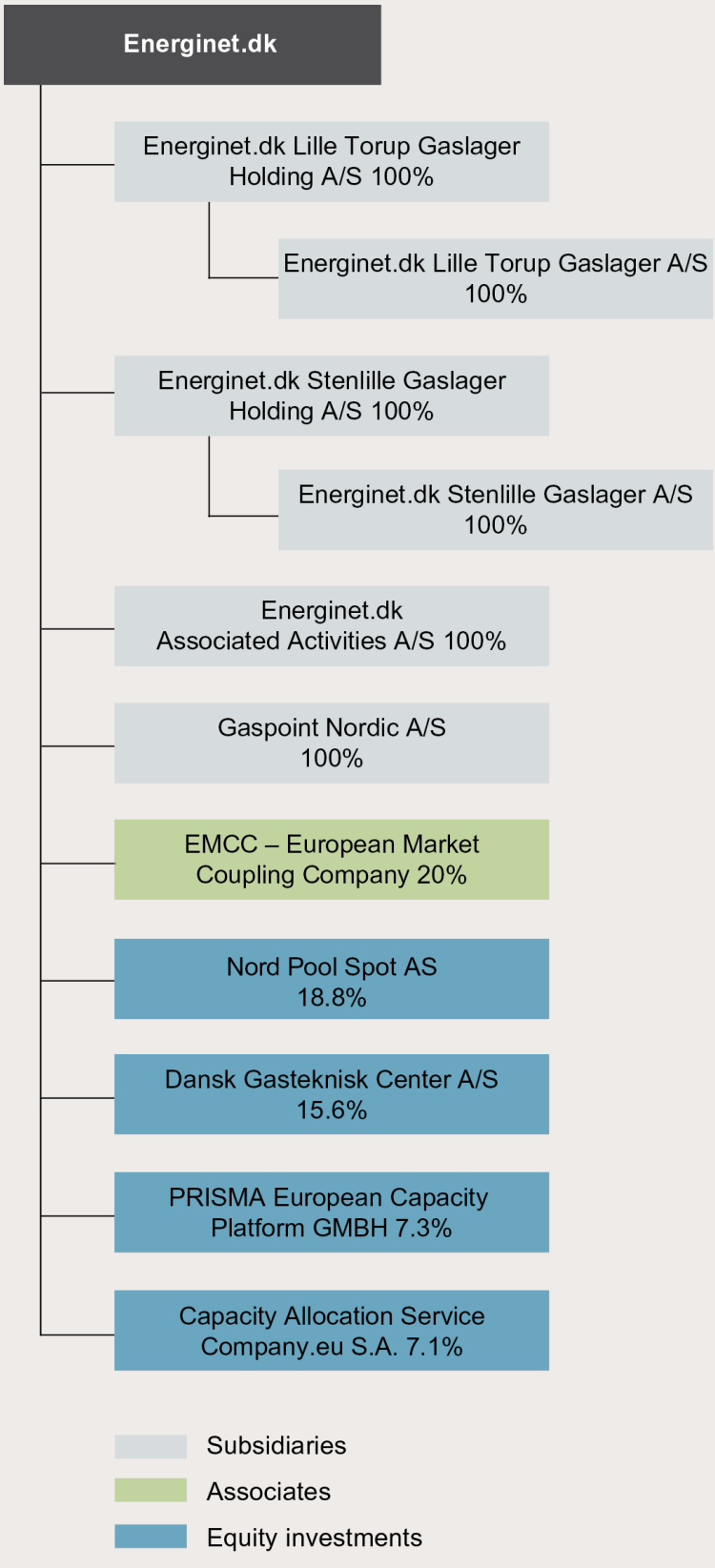
Opinion

In our opinion, the Consolidated Financial Statements and Parent Company Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities and financial position at 31 December 2014 and of the results of the Group's and Parent's operations and the Group's cash flows for the financial year 1 January - 31 December 2014 in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk, and the management's review includes a fair account in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk. Furthermore, it is our opinion that business procedures and internal controls have been established which ensure that the transactions covered by the consolidated financial statements and financial statements comply with the appropriations granted, legislation and other regulations as well as agreements concluded and common practice.

Fredericia, 19 March 2015
Rigsrevisionen

Lone Strøm	Morten Brædstrup-Holm
Auditor General	Director

The Group at 31 December 2014



Key ratios

FINANCIAL HIGHLIGHTS (DKKm)	2014	2013	2012	2011	2010
Income statement					
Revenue	10,431	9,481	9,441	6,783	7,718
Excess revenue/deficit for the year*	777	-196	-988	530	158
EBITDA	1,659	1,956	1,579	1,615	2,230
Profit before net financials	289	46	620	749	1,086
Net financials	-434	-429	-269	-342	-302
Net profit/loss for the year	-125	37	261	128	695
Strengthening of contributed capital	-4	0	116	176	154
Balance sheet					
Non-current assets	35,787	31,714	29,628	19,052	17,423
Current assets	3,230	3,023	2,692	3,175	2,914
Balance sheet total	39,017	34,737	32,320	22,227	20,337
Net interest-bearing debt	21,792	18,367	16,424	10,006	7,995
Equity	5,870	5,998	5,961	5,669	5,569
Cash flows					
Operating activities	1,120	1,094	1,686	101	1,937
Investing activities	-4,623	-3,239	-8,202	-2,025	-1,103
of which investment in tangible fixed assets	-2,173	-3,237	-2,731	-2,166	-1,040
Financing activities	4,262	1,512	6,683	1,110	-591
Cash and cash equivalents, end of year, net	149	-610	13	-154	660
Key ratios					
Solvency ratio (%)	16	17	18	26	27
Credit rating Standard & Poors	AA	AA	AA	AA	AA
Price-index regulation announced by the Danish Energy Regulatory Authority (%)	-0.4	0.0	3.6	5.5	3.8
Rate of cost, operating expenses (%)	2.5	2.5	3.4	3.9	4.2
EBITDA margin (%)	15.9	20.6	16.7	23.8	28.9
Operating cash flow/debt (%)	5.1	6.0	10.3	1.0	24.2

*) + = deficit, – = excess revenue

For a definition of key figures and ratios, please see the accounting policies in the consolidated financial statements.

FINANCIAL HIGHLIGHTS BY SEGMENT	2014	2013	2012	2011	2010
Income statement – POWER					
Revenue	2,974	3,219	3,680	3,391	3,674
Excess revenue/deficit for the year*	187	-150	-487	-13	455
Operating profit/loss	144	362	228	340	775
Net financials	-309	-358	-143	-155	-105
Net profit/loss for the year	-138	219	65	-36	650
Balance sheet					
Non-current assets	25,750	24,602	22,053	12,082	10,560
Balance sheet total	26,739	25,896	23,236	13,753	11,986
Income statement – PSO					
Revenue	6,908	5,734	5,121	2,601	3,004
Excess revenue/deficit for the year*	413	-143	-466	696	-190
Balance sheet					
Non-current assets	405	436	466	503	493
Balance sheet total	1,931	1,875	1,494	1,853	1,352
Income statement – GAS					
Revenue	415	408	477	628	881
Excess revenue/deficit for the year*	177	97	-35	-153	-107
Operating profit/loss	88	230	303	274	180
Net financials	-84	-120	-51	-88	-89
Net profit/loss for the year	2	169	192	146	36
Balance sheet					
Non-current assets	5,366	5,400	5,169	4,260	4,073
Balance sheet total	5,977	6,198	5,625	4,691	4,664
Income statement – COMMERCIAL					
Revenue	168	179	208	249	253
Operating profit/loss	52	-571	68	99	97
Net financials	-36	74	-54	-63	-72
Net profit/loss for the year	11	-351	4	18	11
Balance sheet					
Non-current assets	4,266	1,473	2,150	2,207	2,303
Balance sheet total	4,370	1,488	2,175	2,210	2,359

*) + = deficit, – = excess revenue

For a definition of key figures and ratios, please see the accounting policies in the consolidated financial statements.

NON-FINANCIAL HIGHLIGHTS	2014	2013	2012	2011	2010
Tariffs					
Total electricity consumption tariff (DKK 0.01/kWh)	28.5	24.3	23.0	15.1	14.8
- Grid	2.8	2.8	4.2	4.5	3.5
- System	4.1	4.1	3.4	2.9	2.8
- PSO (average for the year)	21.6	17.4	15.4	7.7	8.6
Gas capacity payments (DKK/kWh/h/year)	6.83	8.13	9.48	10.54	10.54
Gas volume payments (DKK 0.01/kWh)	0.213	0.261	0.109	0.122	0.122
Emergency supply payments, gas (DKK 0.01/kWh)				0.36	0.580
- Protected customers	0.019	0.067	0.237		
- Non-protected customers	0.012	0.045	0.127		
Human resources					
No. of occupational injuries, own staff (per million working hours)	0.7	1.6	0.0	2.2	2.3
Absence due to illness (%)	1.6	1.7	1.7	2.1	2.0
Employee turnover (%)	11.0	10.1	10.6	9.4	6.8
Total number of employees	738	680	618	572	544
Market details					
Nord Pool Spot purchases of electricity relative to consumption (%)	85	91	104	95	85
Nord Pool Spot sales of electricity relative to consumption (%)	72	94	63	80	96
Gas volume traded at GTF relative to consumption (%)	74	74	103	91	62
Gaspoint Nordic purchases and sales (%)	35	25	17	9	8
Security of supply					
No. of disconnections in 150/400 kV grids (per 1,000 km)	13	12	8	6	8
Delivery points affected by technical problems, as (%)	0	0	0	0	0
Environment					
Grid loss (GWh)	876	852	989	980	919
SF_6 gas discharge relative to use (%)	0.4	0.3	0.7	1.1	0.9
Gas consumption at meter and regulator stations relative to flow (‰)	0.82	0.80	0.83	0.76	0.79
Natural gas discharge relative to flow (‰)	0.05	0.02	0.01	0.03	0.01
Wind power generation relative to gross consumption (%)	39	33	30	28	22
RE production relative to net power generation (%)	56	46	48	37	34

For a definition of key figures and ratios, please see the accounting policies in the consolidated financial statements.

Energinet.dk
Tonne Kjærsvej 65
DK-7000 Fredericia
Tel. +45 70 10 22 44
CVR no. 28980671

info@energinet.dk
www.energinet.dk

Energinet.dk's annual report is only published in an electronic version.

In case of discrepancies between the original Danish text and the English translation of the annual report, the Danish version prevails.

The report can be downloaded in Danish at:
www.energinet.dk/aarsrapport-2014

The report can be downloaded in English at:
www.energinet.dk/annual-report-2014

ENERGINET.DK