



# Annual Report 2007

ENERGINET.DK



# Årsrapport 2007

for Energinet.dk



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### Knowledge sharing, cooperation and innovation – Energinet.dk's new head office

The photos in the Annual Report show the construction of Energinet.dk's new head office, right from the start in the summer of 2006 until a couple of months after the premises were inaugurated at the turn of the year 2007/2008.

The new head office is envisioned to have a pivotal position in the Danish energy system, to promote knowledge sharing and interdisciplinary cooperation, to be a dynamic, flexible and inspirational place of work and to inspire movement and spontaneous meetings.

The large atrium on the ground floor is the gathering place, incorporating all common functions such as reception, canteen and meeting facilities. The first and second storeys house the office workplaces where approx. 350 employees work in open-plan offices.

The building was constructed in accordance with the most recent building codes, introducing stricter energy requirements for buildings, and solar panels along the southern facade of the building supplement the electricity supply.

The new head office is situated on a 16-hectare site in Erritsø near the town of Fredericia which offers a view of the two bridges that span the Little Belt. The main building has a total floor area of 12,000 m<sup>2</sup>, while the workshop covers around 3,500 m<sup>2</sup>.

#### Architects

Hvidt & Mølgaard A/S

#### Main contractor

Hoffmann A/S

#### Consulting engineers

Rambøll

#### Landscape architects

Kristine Jensens Tegnestue, Århus

#### Consultant

D|K2 Bygherrerådgivning

# What is Energinet.dk

## Mission

As the owner of the main infrastructure we maintain security of supply and ensure an efficient market for electricity and gas.

## Vision

Through cooperation and innovation we wish to be known nationally and internationally as a professional, business-oriented and trustworthy TSO.

As TSO (Transmission System Operator), Energinet.dk is responsible for the main electricity and gas transmission systems in Denmark.

Energinet.dk's principal responsibilities:

- Maintain the overall security of supply of electricity and gas in both the short and the long term
- Develop the overall Danish electricity and gas transmission infrastructure
- Create objective and transparent conditions for competition on the energy markets and monitor that competition works
- Carry out coherent and holistic planning involving future transmission capacity requirements and long-term security of supply
- Support environmentally-friendly electricity generation and the development and demonstration of technologies for environmentally-friendly energy generation
- Calculate the environmental impact of the energy system as a whole.

Energinet.dk's business values:

- Business orientation: Pursue ambitious goals, follow up on results, challenge processes and expenses, pay attention to customer requirements, etc.
- Development: Give and receive feedback at a professional and personal level, develop our personal communication and cooperation skills, etc.
- Cooperation: Project oriented and interdisciplinary, being open about processes and decisions, contribute openly and professionally to the public debate, etc.
- Respect: Work towards achieving mutual goals, include each other, take initiatives and responsibility, respect each other's professional expertise and attitudes, balance between family and working life, etc.

Energinet.dk is an independent public enterprise owned by the Danish state as represented by the Danish Ministry of Climate and Energy. Energinet.dk has its own supervisory board.

An advisory Stakeholder Forum appointed by the Minister for Climate and Energy submits opinions to Energinet.dk's management on the Company's overall strategies and plans with a view to supporting Company operations.

Energinet.dk's finances must balance. The primary source of income is in the form of tariffs.

Energinet.dk owns the gas transmission grid and the 400 kV electricity transmission grid and is the co-owner of inter-

connections between Denmark and the Nordic countries and Germany. Energinet.dk also has the 132 kV and 150 kV electricity grids at its disposal.

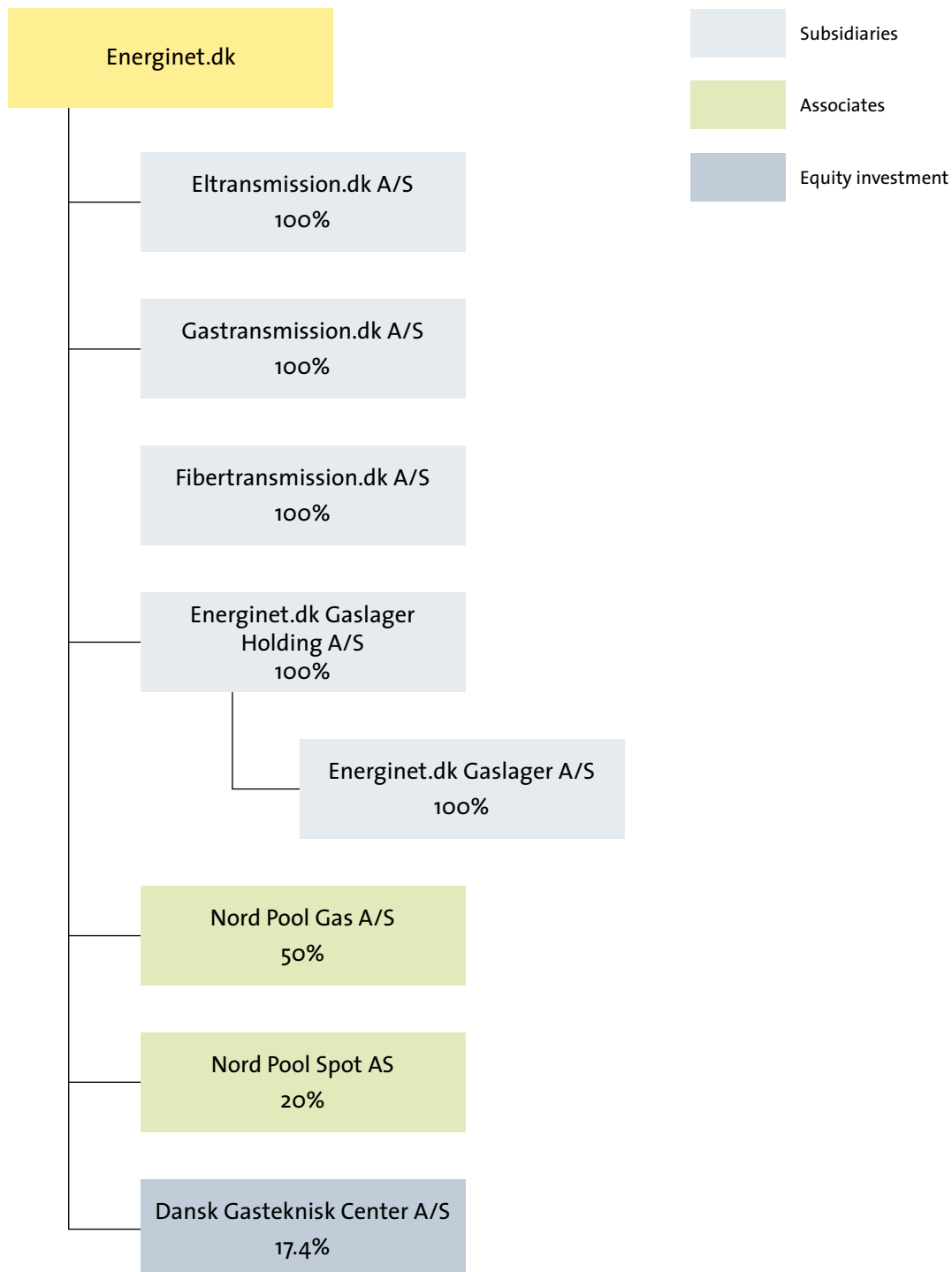
In 2007, Energinet.dk acquired Energinet.dk Gaslager A/S. This company operates the Lille Torup gas storage facility. In addition, Energinet.dk has commercial access to the Stenlille natural gas storage facility.

Also in 2007, Energinet.dk entered into a joint venture with the Norwegian-owned Nord Pool Spot AS, the purpose of which was to set up Nord Pool Gas A/S. The objective of this company is to develop a market place for spot trade in natural gas.

Two wholly-owned subsidiaries – Eltransmission.dk A/S and Gastransmission.dk A/S – operate and maintain the electricity and gas transmission grids.

The wholly-owned company – Fibertransmission A/S – leases telecom connections.

# The Energinet.dk Group



# Supervisory Board

## Chairman

Niels Fog  
MSc (Economics and Business  
Administration) and merchant

## Other members

Birgitte Kiær Ahring  
MSc (Biology), PhD. Professor of  
biotechnology at BioCentrum-DTU

Birgitte Nielsen  
Banking education, Diploma in Economics

Erik Dahl  
Engineer, Diploma in Economics

Hans Schjøtt  
MA and MSc (Theoretical Physics)

Niels Arne Gadegaard  
MA (Law)

Peter Møllgaard  
MSc (Economics). Professor of law and  
economics, Copenhagen Business School

Poul Erik Morthorst  
MSc (Economics). Senior Scientist  
at Risø National Laboratory

## Employee-elected representatives

Berit Schilling  
Holder of Diploma in Accounting and  
Finance, Settlement Architect in Market

Carl Erik Madsen  
Electronics Engineer, Relay Technician  
in Electricity Transmission

Søren Dupont Kristensen  
Master of Science (Economics).  
Economist in the Executive Secretariat



*Back row from left: Erik Dahl, Carl Erik Madsen, Peter Møllgaard,  
Birgitte Kiær Ahring, Poul Erik Morthorst, Søren Dupont Kristensen, Hans Schjøtt,  
Niels Arne Gadegaard, Birgitte Nielsen, Niels Fog and Berit Schilling.  
Photo: Palle Peter Skov*

# Financial highlights

Amounts in DKK million	2007	2006	2005
<b>Results</b>			
Gross revenue	9,382	7,797	9,935
Revenue	4,158	3,391	4,386
Operating profit or loss	802	(124)	724
Results of net financials	(271)	(149)	(131)
Net profit or loss for the year	586	(170)	555
Consolidation of contributed capital	144	89	86
<b>Balance sheet</b>			
Non-current assets	15,119	11,827	12,103
Current assets	3,754	2,259	1,851
Balance sheet total	18,873	14,086	13,954
Interest-bearing debt	8,225	6,076	6,188
Equity	4,213	3,627	3,786
<b>Cash flows</b>			
Operating activities	1,181	277	1,828
Investing activities	(2,946)	(302)	(157)
of which investments in property, plant and equipment	(836)	(332)	(166)
Financing activities	2,401	(183)	(1,511)
Changes in cash and cash equivalents for the year	636	(208)	160
Cash and cash equivalents, end of year	698	62	270
<b>Financial ratios in per cent</b>			
Solvency ratio	22	26	27
Price-index regulation announced by the Danish Energy Regulatory Authority	4.9	3.4	3.8
<b>Number of employees, end of year</b>	<b>485</b>	<b>467</b>	<b>426</b>
<b>Financial ratio</b>			
Solvency ratio = $\frac{\text{Equity}}{\text{Balance sheet total}}$			

# Statements and reports

## Statement by the Supervisory and Executive Boards on the Annual Report

The Supervisory and Executive Boards have on this day considered and adopted Energinet.dk's Annual Report 2007, including Statement by the Supervisory and Executive Boards on the Annual Report, Management's review, income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the Group and the Parent.

The Annual Report has been presented in accordance with the Danish Financial Statements Act, applicable Danish Accounting Standards and the Danish Act on Energinet.dk.

We find that the accounting policies applied are appropriate, that the Group's internal controls, which are relevant in preparing and presenting an annual report, are adequate, and that the Annual

Report therefore gives a fair presentation of the Group's and the Parent's assets, liabilities and financial position at 31 December 2007, the results of the Group's and the Parent's activities and the Group's cash flows for the 2007 financial year.

We also find that business procedures and internal controls have been established ensuring to the widest possible extent that the transactions covered by the Annual Report comply with the provisions regarding the state's contributed capital provided in the Danish Act on Energinet.dk, other regulations as well as agreements concluded and generally accepted accounting principles.

Finally, we find that the administration performed in 2007 was financially appropriate and that the information contained in the Annual Report about objectives and results has been documented and covers Energinet.dk's activities in 2007.

The Annual Report with proposal for the distribution of net profit is recommended for approval by the Danish Minister for Climate and Energy.

Fredericia, 13 March 2008

### Executive Board



Peder Østermark Andreassen  
President and CEO

### Supervisory Board



Niels Fog  
Chairman



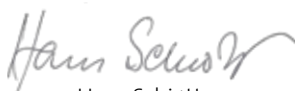
Birgitte Kiær Ahring



Birgitte Nielsen



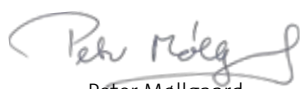
Erik Dahl



Hans Schiøtt



Niels Arne Gadegaard



Peter Møllgaard



Poul Erik Morthorst



Berit Schilling\*



Carl Erik Madsen\*



Søren Dupont Kristensen\*

\* Employee-elected

## Internal auditor's report

### To the Danish Minister for Climate and Energy

#### Auditor's report

We have audited the Annual Report for the independent public enterprise Energinet.dk for the financial year 1 January – 31 December 2007, including Statement by the Supervisory and Executive Boards on the Annual Report, Management's review, accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The Annual Report is presented in accordance with the provisions of the Danish Financial Statements Act, Danish Accounting Standards and the Danish Act on Energinet.dk.

#### Management's responsibility for the Annual Report

Management is responsible for preparing and presenting an annual report that gives a fair presentation in pursuance of the Danish Financial Statements Act, Danish Accounting Standards and the Danish Act on Energinet.dk. This responsibility includes the drawing up, implementation and upkeep of internal controls relevant in preparing and presenting an annual report which gives a fair presentation without material misstatement, whether or not such misstatement resulted from fraud or errors, and the choice and application of appropriate accounting policies and accounting estimates deemed reasonable in the circumstances. Furthermore, Management is responsible for ensuring that the transactions covered by the Annual Report comply with Danish law, other regulations, agreements concluded and generally accepted accounting principles.

#### Auditor's responsibility and the audit

It is our responsibility to express an opinion about the Annual Report on the basis of our audit. We conducted our audit in accordance with Danish Auditing Standards and good public auditing practice, cf. the Danish Act on the Auditing of Governmental Accounts, etc., and the Danish Act on Energinet.dk. These standards require that we live up to ethical requirements and plan and perform the audit to obtain a high degree of assurance that the Annual Report is free from material misstatement.

An audit includes actions performed with a view to obtaining audit evidence for the amounts and information stated in the Annual Report. The actions chosen depend on auditor's assessment,

including an assessment as to the risk of material misstatement in the Annual Report, whether or not such material misstatement results from fraud or errors. When assessing the risk, auditor considers internal controls relevant to the Company's preparation and presentation of an annual report giving a fair presentation with a view to developing audit actions that are suitable in the circumstances, but not with the purpose of expressing an opinion on the efficiency of the Company's internal controls. An audit also includes expressing an opinion as to whether the accounting policies applied by Management are appropriate and whether the accounting estimates made by Management are fair, as well as assessing the overall presentation of the Annual Report. An audit also includes assessing whether business procedures and internal controls have been established ensuring that the transactions covered by the Annual Report comply with the provisions for the state's contributed capital provided in the Act on Energinet.dk, other regulations, agreements concluded and generally accepted accounting principles.

We believe that the audit evidence obtained constitutes a sufficient and reasonable basis for our opinion.

Our audit did not result in any qualification.

#### Opinion

In our opinion the Annual Report gives a fair presentation of the Group's and the Parent's assets, liabilities and financial position at 31 December 2007 and of the results of the Group's and Parent's activities and the Group's cash flows for the financial year 1 January – 31 December 2007 in pursuance of the Danish Financial Statements Act, Danish Accounting Standards and the Danish Act on Energinet.dk. We also believe that business procedures and internal controls have been established ensuring that the transactions covered by the Annual Report comply with the provisions regarding the state's contributed capital provided in the Danish Act on Energinet.dk, other regulations, agreements concluded and generally accepted accounting principles.

#### Statement on administration audit performed

In connection with the financial audit of Energinet.dk's Annual Report 2007 we have assessed whether due financial allowance has been made for specific areas in the administration of the Company and whether the information contained in the Annual Report about objectives and results has been documented and covers Energinet.dk's activities in 2007.

**Management's responsibility**

Energinet.dk's Management is responsible for setting up guidelines and procedures with a view to ensuring that due financial allowance is made in connection with the administration of the Company and that the information contained in the Annual Report about objectives and results has been documented and covers Energinet.dk's activities in 2007.

**Auditor's responsibility and the administration audit performed**

In accordance with good public auditing practice, cf. the Danish Act on the Auditing of Governmental Accounts, etc., we have examined specific administrative areas with a view to assessing whether Energinet.dk has established business procedures ensuring proper financial administration. Furthermore, on the basis of sampling we have reviewed the information contained in

the Annual Report about objectives and results for Energinet.dk. We have performed our work to obtain limited assurance that the specific areas have been administered in a financially acceptable manner and that the information contained in the Annual Report about objectives and results has been documented and covers Energinet.dk's activities in 2007.

**Opinion**

The administration audit performed did not reveal any circumstances leading us to form the opinion that the administration in 2007 of the areas examined by us was not conducted in a financially acceptable manner or that the information contained in the Annual Report about objectives and results has not been documented and does not cover Energinet.dk's activities in 2007.

Fredericia, 13 March 2008

**PricewaterhouseCoopers**

Statsautoriseret Revisionsaktieselskab



Carsten Gerner  
State Authorised Public Accountant



Jesper Møller Christensen  
State Authorised Public Accountant

## External auditor's report

### To the Danish Minister for Climate and Energy

#### Auditor's report

We have audited the Annual Report of the independent public enterprise Energinet.dk for the financial year 1 January – 31 December 2007, including Statement by the Supervisory and Executive Boards on the Annual Report, Management's review, accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The Annual Report is presented in accordance with the provisions of the Danish Financial Statements Act, Danish Accounting Standards and the Danish Act on Energinet.dk.

With this auditors' report we consider the audit of the 2007 Annual Report as finalised. Rigsrevisionen (the national audit office of Denmark) may, however, decide to further investigate questions concerning this and previous financial years. In this connection new information may become available which may give rise to the reassessment of specific issues dealt with in this auditors' report.

#### Management's responsibility for the Annual Report

Management is responsible for preparing and presenting an annual report that gives a fair presentation in pursuance of the Danish Financial Statements Act, Danish Accounting Standards and the Danish Act on Energinet.dk. This responsibility includes the drawing up, implementation and upkeep of internal controls relevant in preparing and presenting an annual report which gives a fair presentation without material misstatement, whether or not such misstatement resulted from fraud or errors, and the choice and application of appropriate accounting policies and accounting estimates deemed reasonable in the circumstances. Furthermore, Management is responsible for ensuring that the transactions covered by the Annual Report comply with Danish law, other regulations, agreements concluded and generally accepted accounting principles.

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Our audit did not result in any qualification.

#### Opinion

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**Opinion**

The administration audit performed did not reveal any circumstances leading us to form the opinion that the administration in 2007 of the areas examined by us was not conducted in a financially acceptable manner or that the information contained in the Annual Report about objectives and results has not been documented and does not cover Energinet.dk's activities in 2007.

Fredericia, 13 March 2008

Rigsrevisionen



Henrik Otbo  
Auditor General



Edvin Andrée Andersen  
Director



# Management's review

## Preface by Management

Global challenges such as climate change and scarce energy resources have placed energy high on the political agenda nationally and internationally. The European Commission's climate package and the Danish energy agreement provide the essential framework for the challenges facing Energinet.dk.

Energinet.dk plays a pivotal role in the realisation of the political visions. Expansion and reinforcement of the electricity transmission grid in Denmark and to neighbouring countries are a precondition for integrating markedly more renewable energy into the electricity system and thus also for Denmark to be able to live up to its CO<sub>2</sub> commitments. At the same time, robust electricity transmission grids are a precondition for ensuring that consumers will continue to receive energy with a high degree of security of supply at market prices.

There is an urgent need for new guidelines for the expansion of the electricity transmission grid, especially because popular and political opposition to overhead lines has made it difficult to expand the electricity grid on the basis of the existing principles for the establishment and reconstruction of high-voltage systems. On this background, the then Danish Minister for Transport and Energy set up a committee in 2007 tasked with drafting a technical report on the future expansion and undergrounding of the Danish electricity system. Energinet.dk heads this committee, which also has members from ministries, government agencies, the regional environmental centres, the National Association of Local Authorities in Denmark and the Danish Energy Association. The report was presented to the Minister for Climate and Energy in April 2008 and will form the basis for political

discussions and decisions on electricity system expansion. The decisions will lay the groundwork for the necessary expansion and reinforcement of the electricity grid in Southern Jutland, among other places, where a planned conversion of the 400 kV overhead line has been temporarily shelved until new principles have been adopted.

Energinet.dk's largest construction project, the Great Belt Power Link, which is to connect Eastern and Western Denmark, was approved by the then Minister for Transport and Energy in April 2007. From a socioeconomic perspective, large benefits can be derived from the power link, the construction of which is expected to be completed before the end of 2010. However, there is a risk that the commissioning of the power link will be delayed as the authorities' consideration of the case has not as yet been finalised.

At the end of 2007, the negotiations on Energinet.dk's acquisition of DONG Energy's 132 kV grid in North Zealand were completed, and the operation of the grid will now be coordinated with that of the 400 kV grid.

Great challenges also await in the natural gas area. Even though the natural gas market was liberalised in 2004, there is still no transparent pricing, but with the opening in March 2008 of the Danish natural gas exchange, which is owned jointly by Nord Pool Spot and Energinet.dk, a crucial step was taken towards improving pricing on the natural gas market.

An essential task for Energinet.dk is to ensure that Denmark has access to gas from foreign countries when the Danish natural gas reserves within a foreseeable future will no longer be sufficient to cover Danish consumption. This is the reason why Energinet.dk in 2007 contracted to participate in a Nordic natural gas project

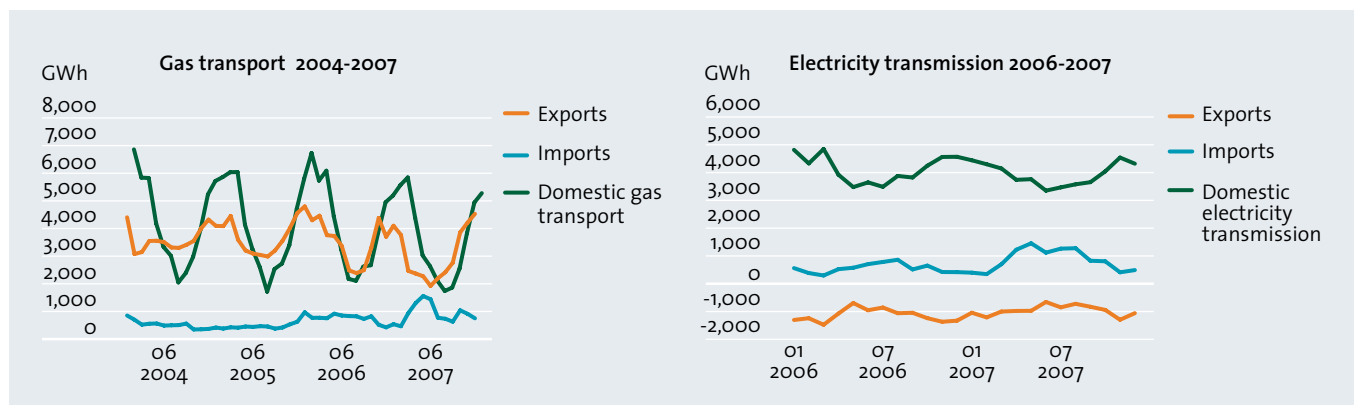
aimed at exploring the possibilities of constructing a gas pipeline from Norway to Sweden and Denmark and signed an agreement with a Polish oil and natural gas company to look into the possibilities of building a gas pipeline between Poland and Denmark.

On 1 May 2007, Energinet.dk took over the gas storage facility in Lille Torup. With that step Energinet.dk complied with the Danish Parliament's desire to maintain public ownership of the gas infrastructure. Also, there are now two competing companies offering storage capacity on the Danish market; a fact which has heightened competition. When Energinet.dk took over the gas storage facility, it immediately became clear that the demand far exceeds the supply of storage capacity, and Energinet.dk has therefore started to look into whether the gas storage facility can be expanded.

Moving into a new head office in Erritsø near the town of Fredericia has revitalised the Company's values – business orientation, development, respect and cooperation. The idea behind the head office is open-plan offices centred around a spacious atrium – a concept that invites cooperation and knowledge sharing; two important preconditions if Energinet.dk is to make its contribution to ensure that Denmark's energy requirement is covered at competitive prices, with sustainable technologies, and with respect for the climate.

## Operation of electricity and gas transmission grids

In 2007, the Danish electricity and natural gas systems were characterised by a high degree of operational reliability. There were no gas supply failures, and only a few



consumers experienced short-lived power cuts due to faults in the main electricity transmission grid.

### Operating incidents

During the storm over the New Year 2006/07, the Kontek Link between Eastern Denmark and Germany broke down when damaged by a ship's anchor. The interconnection was operational again in mid-March 2007.

On 24 February 2007, most of Denmark was lashed by a severe ice storm combined with high winds. As a result, many overhead lines were glazed with ice, which in turn made the lines oscillate. This caused galloping lines and thus short-circuiting, which made the light blink.

In May 2007, a serious fault in the German electricity grid came within inches of spreading to the West Danish electricity system. Automatic disconnection of electricity generation and intervention on the DC interconnections to the Nordic countries ensured that the West Danish electricity consumers remained unaware of this incident.

In August 2007, the Danish transformer in the Skagerrak 3 interconnection, which is one of the three DC interconnections between Jutland and Norway, broke down, putting the 500 MW interconnection out of operation. The interconnection is expected to be operational again in summer 2008.

As Skagerrak 3, a key interconnection in the Nordic electricity market, has been out of operation several times in recent years, the

Norwegian TSO, Statnett, which co-owns the interconnection, and Energinet.dk are presently examining whether spare transformers are required.

For the first time in the history of the Danish natural gas system, Energinet.dk was forced to implement emergency procedures on 8 November 2007 to prevent a brief gas supply shortage. The reason was a storm in the North Sea, which made Mærsk Olie og Gas announce a 24-hour production suspension at the Tyra platform. To ensure that the shortage in gas supply would not affect the Danish gas market in any way, Energinet.dk decided to implement emergency procedures so that the two Danish gas storage facilities could meet the gas demand in the period when the North Sea gas supplies were interrupted.

On 4 December 2007, a reactor at the Vester Hassing converter substation exploded, disconnecting the interconnection between Jutland and Sweden for a few hours.

### Security of gas supply

In order to handle the gas supply in emergency situations, Energinet.dk has bought access to the Danish gas storage facilities and to gas via the Syd Arne pipeline, and it has entered into individual contracts with large end consumers.

On 1 October 2007, Energinet.dk launched a new, market-oriented emergency supply concept. The concept, which was developed in cooperation with distribution companies and players, is based on the largest end consumers relieving the pressure on the gas supply system by reducing their

gas consumption through the means at their disposal.

The costs of maintaining the security of emergency gas supply amounted to DKK 216 million in 2007.

### Security of electricity supply

To maintain the security of electricity supply, Energinet.dk concludes agreements on, for example, the supply of ancillary services in the form of reserves and regulating power.

The cost of electricity reserve capacity amounted to DKK 821 million in 2007 as opposed to DKK 856 million in 2006. In addition, the costs of regulating power were DKK 196 million in 2007 over DKK 228 million in 2006.

As Eastern Denmark cannot expect to import electricity from Sweden when power station output is insufficient, Energinet.dk made an agreement with DONG Energy in December 2007 giving Energinet.dk the right of disposal of unit 4 at Asnæs Power Station in the winter of 2007/2008. The unit can be started if a shortage of output is expected in Eastern Denmark. In such situations Energinet.dk will place the unit's capacity at the disposal of the electricity market.

### Collaboration with neighbouring areas

In recent years, increasing cross-border electricity trade has gradually impaired the Nordic frequency quality, and thus also the frequency in Eastern Denmark. To improve the frequency quality and prevent the increasing trade from impairing the frequency quality any further, Nordel has implemented extensive measures to

improve the balance control and thus the frequency quality.

### Emergency management

Energinet.dk is responsible for coordinating the emergency management plans of the electricity and gas sectors and for monitoring and advising the sectors on their emergency planning.

In March 2007, Energinet.dk completed a large exercise to train employees in information preparedness and improve cooperation in both sectors. The exercise was successful and will be followed up by more exercises in the next couple of years – in Energinet.dk as well as the electricity and gas sectors.

The Danish Executive Orders on emergency planning were revised by the Danish Energy Authority in September 2007, and Energinet.dk is now in the process of implementing the changes in the sectors.

In December 2007, Energinet.dk completed its first round of supervision of the licensed enterprises. Energinet.dk's supervision concept must be evaluated before the next round of supervision starts in spring 2008.

### Safety

Energinet.dk transmits very large volumes of energy at high voltage levels (electricity) and at high pressure (gas). At worst, accidents may seriously damage technical installations and injure people.

Systematic safety training courses are conducted to prevent employees and contractors working on Company installa-

tions from being injured during work. The technical installations are also subjected to regular safety inspections. To further enhance safety awareness, fixed routines were introduced in 2007 for fire and first-aid courses as well as driving courses for employees. In addition, Energinet.dk has continued its safety harmonisation work. The Company has, among other things, established common electronic systems for the reporting of accidents and near accidents and the conduction of work place assessments.

In 2007, Energinet.dk experienced two reportable accidents involving people due to falls. Altogether, Energinet.dk recorded 124 sick days as a consequence of the accidents.

## Electricity and gas markets

Energinet.dk is responsible for organising and developing the electricity and gas markets so as to create an optimum framework for competition. Energinet.dk also monitors the efficiency of the market and reports any signs of players abusing their dominant positions on the markets to the competition authorities.

### The functioning of the electricity market

In January 2008, Svenska Kraftnät decided to expand the transmission grid in Southern Sweden. The new line will be highly beneficial to the East Danish electricity market as it will eliminate congestion in the South Swedish grid which has often been moved to the borders of neighbour-

ing areas, including the Øresund Link. The Danish Energy Association has lodged a complaint with the EU competition authorities on the Swedes' handling of this congestion, and Energinet.dk has provided the authorities with information in this connection.

### Legislative framework

In September 2007, the European Commission presented a third liberalisation package, the purpose of which is to provide the framework for the single electricity and gas markets and thus enhance fair competition on the European energy market. In Energinet.dk's opinion, the package leaves something to be desired on a decisive point as it makes it possible to dispense with the requirement for ownership unbundling.

As a result of the liberalisation package, the TSOs' Nordic and European bodies of cooperation within electricity and gas will be amalgamated in 2008, resulting in one body of cooperation for gas and one for electricity. The new joint body of cooperation – ENTSO – differs from the existing organisations in that its members will be formally appointed by the European Commission. The particular objective of the new body of cooperation is to ensure harmonised rules and coordinated investment in the transmission grids.

### Market coupling with Germany

In 2006, Energinet.dk entered into an agreement with the German electricity exchange and the two transmission system operators in Northern Germany to introduce market coupling between the German and the Nordic power exchanges. The market coupling will ensure optimum, market-oriented utilisation of the interconnections between Denmark and Germany. The market coupling was originally expected to become effective in the fourth quarter of 2007, but it has been postponed until June 2008 at which time the exchange systems will have been completed.

### Trade close to the delivery hour

In April 2007, it became possible for the players in the West Danish price area to trade electricity on Elbas, Nord Pool Spot's

Transmission of electricity and transport of gas	2007	2006
<b>Gas GWh</b>		
Transport in gas transmission grid	80,679	92,996
Imports (from Germany)	11,098	9,192
Exports (to Sweden and Germany)	36,889	43,177
Consumption	43,791	49,819
<b>Electricity GWh</b>		
Transmission in electricity transmission grid	47,343	49,613
Imports (from the Nordic countries and Germany)	10,319	6,704
Exports (to the Nordic countries and Germany)	11,274	13,638
Consumption (incl. grid losses)	36,069	35,975



aftermarket. As such, electricity can now be traded close to the delivery hour in Eastern and Western Denmark, in Sweden and on the Kontek Link between Eastern Denmark and Germany. On 1 June 2008, trade close to the delivery hour between Jutland and Germany will be introduced.

#### **New market regulations**

On 1 April 2007, Energinet.dk started to implement a new set of electricity market regulations, which define uniform terms and conditions for the players in Eastern and Western Denmark on by far the majority of the areas. Some of the regulations will not come into force until the new joint system operation centre covering all of Denmark is commissioned in 2008.

#### **Purchase of reserves**

Until 2007, Energinet.dk bought manual regulating reserves for the electricity system on long-term contracts concluded with the power generators. These agreements have now been replaced by daily auctions, which ensure that purchases are made at market prices.

#### **Electricity price in 2007**

In general, all prices on Nord Pool Spot, the Nordic power exchange, were lower in 2007 than in 2006. The average system price was 208 DKK/MWh in 2007 compared to 362 DKK/MWh in 2006. The lower prices are primarily due to plenty of water being present in the Nordic water reservoirs. In addition, fairly high temperatures throughout the year helped to reduce demand for electricity for heating in the Nordic countries, which in turn also helped to lower the spot prices.

The Nordic spot prices fell despite generally increasing energy prices. The oil, coal and gas markets saw significant price increases in 2007. The CO<sub>2</sub> emission allowance price dropped constantly throughout 2007, and at the end of the year the emission allowances were virtually worthless.

The spot prices in the two Danish price areas also declined considerably from 2006 to 2007. In Western Denmark the spot price fell an average 27 per cent in 2007 compared to 2006. In Eastern Denmark the spot price dropped by 32 per cent. The

average spot price in the Danish power markets in 2007 was DKK 241/MWh in Western Denmark and DKK 246/MWh in Eastern Denmark.

Despite the general price drop, the Danish spot markets saw an increasing variation at an hourly level and significant price peaks of up to DKK 7,000/MWh in a single hour; a record level in Western Denmark. The pronounced price peaks occurred in the last months of the year when several interconnections tripped and the capacity of the interconnections between Sweden and Denmark was often congested. Furthermore, the days with price peaks were often characterised by low wind-power generation and large exports to Germany. However, in Western Denmark the number of hours with spot prices of DKK 0/MWh was considerably higher in 2007 than in 2006, namely 85 hours as opposed to 28 hours. The zero prices occurred in hours with very high wind-power generation.

#### **Congestion rents**

In 2007, the TSOs in Nordel entered into a four-year agreement on the distribution of congestion rents. The agreement entails a gradual transition to a more equal distribution of the congestion rents between the owners of the electrical connections across the Nordic borders. The new agreement is financially neutral for Energinet.dk.

#### **Gas trade**

At the end of 2007, Energinet.dk had registered 22 shippers, three more than in the year before.

A significant increase in the use of Energinet.dk's virtual trading place – the so-called Gas Transfer Facility (GTF) – marked a huge step for the Danish gas market towards increasing trade between market players. In 2007, almost half of the Danish gas consumption was traded via the GTF. In 2006, this figure was as low as 9 per cent.

Since March 2008, it has also been possible to trade gas on a Danish gas exchange. The gas exchange was set up by Nord Pool Spot and Energinet.dk in order to ensure more transparent pricing. Initially, the gas exchange is based on continuous trading.

For the first time ever, new shippers started using the gas pipeline from the North Sea to the Danish coast in 2007. Until now, only DONG Energy has imported gas via the pipeline.

#### **Possibility of importing German gas**

In 2007, the gas market came close to being forced to physically import gas from Germany. This is the reason why Energinet.dk has started cooperating with the Danish Safety Technology Authority and the consultancy company Danish Gas Technology Centre (DGC) in order to prepare for the new market situation where gas of different quality than the one from the North Sea will be supplied to the Danish consumers. However, a final agreement with the German gas companies on the possibility of physically importing gas from Germany has not been reached yet.

#### **New rules and procedures**

In May 2007, Energinet.dk issued updated gas market rules for the wholesale market. Specifically, the rules introduced a new way of handling extreme overruns and implemented a new emergency supply concept.

In 2008, a new set of rules will be introduced for the retail market which – unlike the existing rules – applies to all six gas distribution areas. The rules have been drafted by the three distribution companies in cooperation with Energinet.dk. In addition, Energinet.dk will introduce an online nomination system making it possible for shippers to acquire capacity online up to one hour before the day of operation and change their 'supply routes' online during the day of operation.

#### **Sale of gas storage capacity**

On 1 May 2007, Energinet.dk took over the natural gas storage facility in Lille Torup, which is situated between the towns of Viborg and Aars. When Energinet.dk put the capacity in the gas storage facility up for sale in its first tender round, the demand for storage capacity was more than 2.5 times higher than the capacity physically available. Danish and non-Danish shippers acquired storage capacity in the first tender round.

Energinet.dk will continue to develop storage products for 2008 in cooperation with storage customers and public authorities.

## Financial support to environmentally-friendly electricity generation

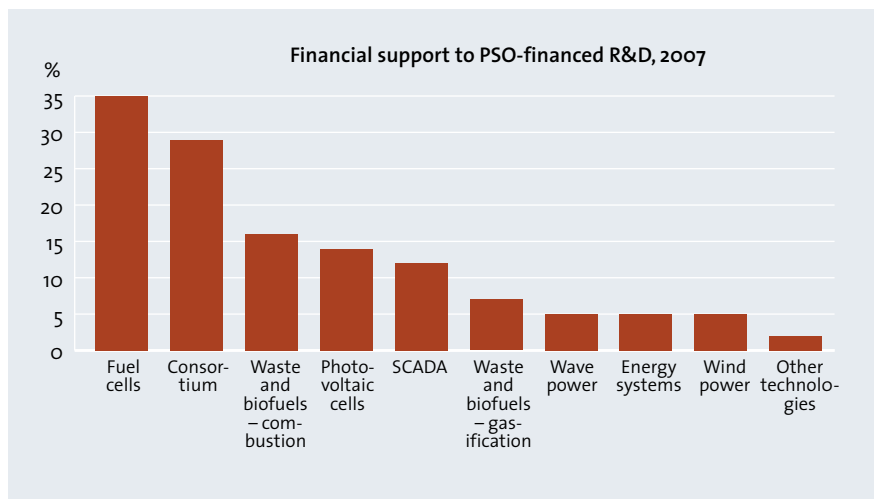
Energinet.dk has a statutory obligation to promote environmentally-friendly energy technologies. Among the means used are subsidies to environmentally-friendly electricity generation, payment of the costs of connecting environmentally-friendly electricity generation facilities to the grid and financial support to research and development in environmentally-friendly electricity generation and efficient energy use.

### Financial support to environmentally-friendly electricity generation

Energinet.dk is obliged to buy electricity generated by small local CHP plants and certain wind turbines. The Company buys the electricity generated at the statutory purchase price and sells it on the power exchange, ie Nord Pool Spot. The difference is charged via the PSO tariff (Public Service Obligation) on the consumers' electricity bills. The same applies to the subsidies, etc., which Energinet.dk pays to wind turbines and local CHP plants operating on market terms. Until 1 October 2007, the local grid companies were responsible for paying the subsidies, but this task has now been placed in the hands of Energinet.dk. On 1 January 2008, Energinet.dk also took over the payment of electricity generation subsidies to the local CHP plants from SKAT (the Danish tax authorities).

## Research and development

Energinet.dk has a politically determined annual budget of DKK 130 million for supporting research, development and demonstration of environmentally-friendly electricity generation technologies. This programme is called ForskEL, and the pool is financed by electricity consumers as a Public Service Obligation (PSO).



Each year, the Danish Minister for Climate and Energy determines the focus areas to benefit from PSO-financed research and development following recommendation by Energinet.dk. Support is allocated to projects on the basis of a professional assessment performed by an external, international expert panel and by Energinet.dk. In addition, applications are coordinated with the energy research programmes funded by the Danish Energy Authority and Dansk Energy Companies – Net.

The two main tracks of the ForskEL programme in 2008, its 10-year jubilee, are:

- Renewable energy technologies – innovation and integration. The aim is for research and development to support the vision of virtually all electricity generation being renewable after 2030.
- Existing technologies – environmental improvements and integration. In the short term, the projects aim at improving the environment at the existing power stations and CHP plants.

Energinet.dk has received 73 applications under the 2008 ForskEL programme. Following assessment, projects amounting to DKK 288 million were prioritised for support. As there is DKK 130 million in the pool, only 32 projects were approved.

Of the DKK 130 million, DKK 26 million will go to demonstration projects, while the rest will be allocated to research and development projects.

### Natural gas research

In 2007, Energinet.dk launched a special natural gas research programme, ForskNG, to ensure research and development in the gas systems of tomorrow. 11 applicants applied for support, of which four projects were prioritised for support in the amount of DKK 7.7 million. The support is financed through Energinet.dk's ordinary gas transmission tariffs.

### Own research programmes

Energinet.dk has a statutory duty to initiate the necessary research and development projects with a view to maintaining the high security of supply and developing the electricity and natural gas systems to the benefit of the environment, society and customers. These activities are financed through Energinet.dk's normal electricity and gas tariffs.

Within the area of electricity, two major development projects are currently being conducted under the auspices of Energinet.dk, the Cell Project and Ecogrid.dk. One of the purposes of the Cell Project is to develop a robust, decentralised and intelligent power system capable of handling the integration of markedly larger volumes of renewable energy and local power production. In the Eco-Grid.dk project, Energinet.dk collaborates with Danish universities and industrial partners on drafting proposals on how to optimally integrate increasing volumes of renewable energy into the Danish energy systems.

## Environment

Each year, Energinet.dk publishes a statutory environmental report providing a statement of emissions to the environment from the electricity and CHP production in Denmark. The statement covers 15 different substances. Furthermore, a 10-year forecast is prepared on the development in emissions in different scenarios. Moreover, Energinet.dk prepares an environmental impact statement and an electricity label, which are statements of emissions per kWh of electricity consumed in Denmark. The environmental report also contains a statement of emissions in connection with the transmission of electricity and natural gas in Energinet.dk's transmission grids as well as environmental aspects of the Lille Torup natural gas storage facility.

The 2007 environmental report was published on 1 May 2008, while the environmental impact statements were published on 1 March 2008.

## Investments

In 2007, Energinet.dk invested DKK 915 million in electricity and gas transmission facilities.

On 1 May 2007, Energinet.dk acquired the gas storage facility in Lille Torup near Viborg for DKK 2 billion free from any debt. The take-over was a consequence of the European Commission ordering DONG Energy to sell one of its two natural gas storage facilities. An independent subsidiary, Energinet.dk Gas Storage A/S, was formed to own the gas storage facility.

2007 was also the year when Energinet.dk moved into its newly built head office and workshop premises in Erritsø near Fredericia. The construction work, which was started in 2006, was completed on time and within the budget.

Furthermore, in December 2007, Energinet.dk entered into an agreement to buy the 132 kV grid in North Zealand from DONG Energy for take-over in 2008. Before the sale is implemented, a new company must be set up to own the transmission grid, and the sale is therefore expected to

be finally concluded after the first quarter of 2008. The acquisition is a consequence of the DONG Energy merger and takes place in pursuance of Section 35 of the Danish Electricity Supply Act. This Act stipulates that when a company owning a regional transmission grid changes owner, the grid must be sold to Energinet.dk.

### Strategies for the transmission grids

The long-term strategies for the expansion of the transmission grids are described in an annual system plan, which summarises the overall holistic planning approach. In the annual transmission plan, Energinet.dk accounts for ongoing and planned expansion, upgrading and reconstruction of the transmission grids. Both plans are statutory.

Against this backdrop, the then Danish Minister for Transport and Energy set up a committee in 2007 tasked with drafting a technical report on the future expansion and undergrounding of the Danish electricity system, the reason being that the existing rules for the construction of high-voltage power lines are no longer endorsed by the politicians.

The report, which was presented to the Danish Climate and Energy Minister in April 2008, will form the basis for political discussions and decisions on electricity system expansion.

The report outlines the environmental and landscape impacts and the consequences for the security of supply, power market functioning and the socioeconomics of the various expansion models.

The aim is to illustrate to the politicians and the general public the consequences

of various expansion strategies and models, making it possible for the politicians to discuss and decide on which principle to use in the future expansion.

### Investment requirement

The overall investment requirement for the ongoing and planned construction projects is DKK 2.9 billion until 2013. To this should be added DKK 2 billion for acquiring the 132 kV grid in North Zealand.

The largest ongoing or planned projects are found within the field of electricity, while large investment decisions within the field of gas are not required until some time in 2009. The largest projects are:

### The Great Belt Power Link

In April 2007, the then Transport and Energy Minister approved the Great Belt Power Link. The price is approx. DKK 1.3 billion. The power link will intensify power market competition and help bring the costs of buying electricity and reserve capacity down. The Great Belt Power Link is Energinet.dk's largest construction project. Originally, the power link was expected to be commissioned in April 2010, but since the local authority's consideration of the converter substation in Zealand has been delayed, the power link will not be commissioned until the end of 2010 at the earliest.

### Connection of new offshore wind turbines

According to the energy agreement from March 2004, two new 200 MW offshore wind farms must be constructed, one at Horns Rev off Esbjerg and the other at Rødsand near Lolland. Energinet.dk is to establish facilities collecting the current from the wind turbines and transmitting it to the electricity grid onshore. In the

### Future investments in the transmission grid

Construction projects 2008-2013	Ongoing projects, 2008-2013, DKK million	Planned projects, 2008-2013, DKK million
Electricity transmission lines	2,333	436
Other projects, electricity	60	1
Reconstruction, electricity	50	16
Gas transmission	18	7
<b>Total</b>	<b>2,461</b>	<b>460</b>



Rødsand project SEAS-NVE will lay a 132 kV land cable from the coast to the existing electricity transmission grid, while Energinet.dk will build the transformer platform as well as the submarine and land cables for the Horns Rev 2 offshore wind turbines. Once the landing facilities for Horns Rev 2 have been completed, ownership to the land-based installations will be transferred to Vestjyske Net.

In March 2007, following a public and political debate, Energinet.dk opted for an underground cable solution to bring the power produced by the Horns Rev wind turbines into the electricity grid. Thus, the project is no longer an element of a more long-term solution for reinforcing and expanding the electricity grid on the west coast of Jutland. The underground cable solution is presently being implemented so that the power produced by the offshore wind farm can be sent ashore on 1 May 2009 at the latest.

At the end of the year, E.ON Netz in Germany decided not to take on the work of constructing the future offshore wind farm near Rødsand. The Danish Energy Authority therefore invited new tenders in February 2008. Energinet.dk has revised the plans for the landing facilities in cooperation with the Danish Energy Authority.

Once the two new offshore wind farms have been completed and connected to the grid, 27 per cent of the installed electricity generation capacity will come from wind power. Today, the figure is 24 per cent.

The total price for the two landing facilities is approx. DKK 1.1 billion.

#### **Renovation of the Southern Jutland electricity grid**

In July 2007, Energinet.dk was forced to postpone the planned renovation of the 42-year-old high-voltage transmission line between Kassø and Vejen in Southern Jutland for about two years until an overall plan has been prepared for the expansion of the main electricity transmission grid in Denmark. The renovation is to ensure that the transmission grid is capable of handling an expected increase in the

exchange of power with Germany, new offshore wind farms and the Great Belt Power Link.

#### **New electricity connection to Norway**

In the spring of 2007, Energinet.dk entered into an agreement in principle with the Norwegian TSO, Statnett, with a view to building a fourth electrical interconnection between Norway and Denmark. The new interconnection will contribute to a more well-functioning power market, a higher degree of security of supply and cheaper ancillary services. A decision basis for the project is expected to be available in the first half of 2008.

#### **Lille Torup gas storage facility**

As gas storage capacity is in high demand on the European market, Energinet.dk has started to look into whether there is a basis for expanding the capacity of the Lille Torup gas storage facility. Whether or not the gas storage facility is to be expanded and the extent of such expansion will be determined in the course of 2008.

#### **Planned projects**

The Danish natural gas production will start declining after 2010, possibly forcing Denmark to import natural gas. Against this backdrop, Energinet.dk is contemplating participating in two natural gas projects aimed at the import of gas.

#### **Gas from Norway**

In January 2007, Energinet.dk signed an agreement to participate in a Nordic natural gas project headed by Norwegian-owned Gassco. The project is to facilitate export of Norwegian natural gas via a natural gas pipeline to Western Sweden and Northern Jutland. On Danish soil, a natural gas pipeline is to be laid from the landing site to the meter and regulator station in Egtved. By way of preparing for a future environmental impact assessment (EIA), Energinet.dk briefed the environmental centre in Århus and the ten municipalities affected by the project of the situation in June 2007.

A decision to invest in this project will presumably be taken at the end of 2009, with expected commissioning of the pipeline at the end of 2012.

#### **Gas from Poland**

Similarly, to enable the import of gas, Energinet.dk made an agreement in May 2007 with a Polish oil and natural gas company to examine the possibilities of establishing a gas pipeline between Poland and Denmark, the so-called Baltic Pipe. If the Baltic Pipe becomes a reality, it will connect the Scandinavian gas systems and resources with the Polish system, which today is closely connected to the Russian system. This would give the Danish and the Polish gas markets access to additional natural gas sources, which would benefit the security of supply and gas market competition. If the project turns out to be profitable, and the authorities in the countries involved approve the project, the Baltic Pipe will as a starting point be owned and financed by Poland.

## **Knowledge resources and organisation**

#### **Attracting and retaining human resources**

At the end of 2007, Energinet.dk had 485 employees (475 full-time positions). This is an increase of 14 on the year before. One of the reasons for the increase is the acquisition of the Lille Torup gas storage facility and the employment of more graduates and employees as part of a future succession.

Of the 485 employees, 338 are men and 147 are women. Employee turnover is approx. 14 per cent. One of the reasons for the high turnover is that there is an increasing number of tasks to be solved and that new areas of responsibility have made it necessary to employ more people. In the long term, a more natural annual employee turnover of 5-10 per cent is expected.

In general, employees with more experience and better competencies are employed, and there is therefore a trend towards a changed staff composition so that there will be more employees with academic degrees and fewer people employed in service-related jobs.

In 2007, Energinet.dk expanded its graduate programme so that there is now a total of 19 graduates in the Company. The graduate

programme was introduced to strengthen recruitment of qualified employees and to prepare for an expected succession. The graduates complete a two-year training programme, which involves rotation between different departments, a structured education programme and a mentor scheme.

Energinet.dk has also worked with employer branding in a goal-directed manner in order to continue to be able to attract qualified labour. Activities include targeted efforts towards students and electrical engineers fresh from school, economists and other specialists, a special energy job site on the internet and a new branding campaign, which was launched at the beginning of 2008.

#### Employee satisfaction and development

On the basis of last year's employee satisfaction survey, Energinet.dk has made targeted efforts to increase employee satisfaction. At the end of the year, the annual survey showed an increase in job satisfaction from index 67 to index 70. Job satisfaction at Energinet.dk is now on a par with the average figure for Danish enterprises. The employees still assess their immediate manager as being markedly better than the general level for Danish enterprises, which is completely in line with Energinet.dk's wishes.

The aim is for employee satisfaction to reach index 72 in 2008. This will be done by focusing on leadership, professional and personal development, the daily work and the Company's image.

Energinet.dk wants to make it possible for the individual employees to develop personally and professionally, and to that end considerable resources have been allocated to, for example, supplementary training and individual bonus schemes for all college and university graduates and a few other employees. All Energinet.dk's objectives in terms of employee satisfaction were achieved, and in particular the efforts to increase job satisfaction among younger employees have been successful.

Over the year, Energinet.dk has offered many internal courses. All new employees are offered introductory courses, and extensive training programmes within project

management, cooperation and communication have been launched. Furthermore, structured talent development programmes for managers and specialists have been launched, and an extensive executive development programme for executives and vice presidents has been prepared for 2008.

In connection with the move to our new head office in Erritsø in January 2008, employees working at the Ballerup location whose jobs will be moved to Erritsø have been offered relocation packages, retirement schemes and outplacement help if they do not want to move to Erritsø.

As a part of Energinet.dk's senior policy all older employees are offered senior interviews with their immediate manager, the possibility of joining a senior scheme (reduced working hours) and a senior course by way of preparing for the third age.

#### Energinet.dk's Management

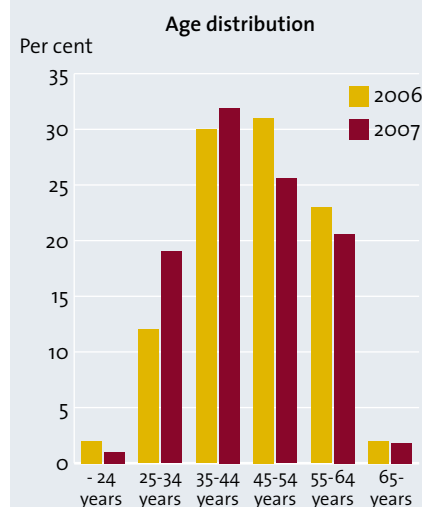
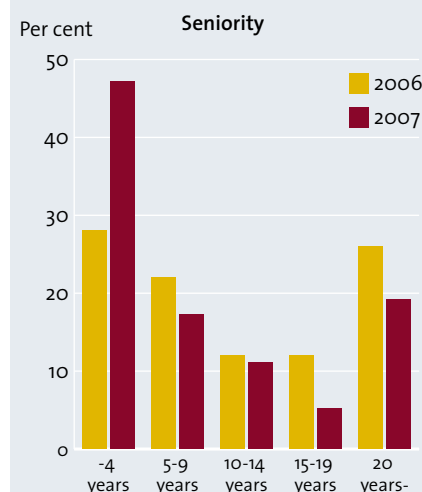
Energinet.dk's management is made up of the following:

- Peder Østermark Andreassen, President and CEO
- Torben Glar Nielsen, Vice President, IT & QM
- Hans Mogensen, Vice President, Corporate Communications
- Steen Dalsgaard Sørensen, Vice President, HR
- Lene Sonne, Vice President, Market
- Carsten Jensen, Vice President, Electricity Transmission
- Peter Hodal, Vice President, Gas Transmission and System Operation
- Peter Jørgensen, Vice President, Planning
- Poul Steen, Vice President, Finance

## IT and quality management

As a part of the merger process Energinet.dk is presently carrying out some very extensive work to consolidate and harmonise all the Company's IT systems. Part of this work was completed in 2007, while the rest of the work will be concluded in 2008 and as late as in 2009.

On 1 January 2007, three finance systems were replaced by a common SAP based



ERP solution, which is the platform for many Company processes and provides a reliable management tool in the areas of finances, operation and maintenance, procurement and human resources. A new intranet aimed at enhancing knowledge sharing and the IT structure in the new head office in Erritsø were launched in 2007.

Merging the IT systems for the settlement of electricity and gas as well as the systems for operating and monitoring the electricity and gas systems is a very comprehensive and complex task, which took up all of 2007. A new operational planning system and the infrastructure for the new control centres in Erritsø and Egtved will be commissioned in 2008, while a new monitoring system will be put into operation on a rolling basis from autumn 2008 until mid 2009.

In 2007, Energinet.dk's existing quality management systems were converted into one joint process-oriented system, and the two ISO 9001 certificates for electricity and gas, respectively, were merged into one joint certificate. Furthermore, the certification has been expanded by several processes to include metering, settlement, operation, sales and development of electricity transmission, gas transport and gas storage services as well as the planning, design, establishment, operation and maintenance of gas storage facilities and gas transmission systems, as well as financing, risk management and accounting.

## Corporate governance

### **Energinet.dk's attitude to good corporate governance**

Energinet.dk is an independent, public enterprise under the auspices of the Danish Ministry of Climate and Energy. The owner has final authority over the Company within the framework laid down in legislation and exercises its ownership rights in pursuance of the guidelines in the Danish Act on Energinet.dk and the Danish Executive Order on the Financial Regulation of Energinet.dk.

Energinet.dk has chosen to follow selected recommendations from The Copenhagen Stock Exchange Committee on Corporate Governance even though Energinet.dk as an independent public enterprise is not obliged to do so. Because of Energinet.dk's ownership structure, some of the areas covered by the recommendations are not value creating for the Company. Energinet.dk has therefore chosen to focus on the recommendations that are considered to be value creating for the Company.

### **The role of the owner and cooperation with Management**

The Climate and Energy Minister meets on a quarterly basis with the chairman of Energinet.dk's Supervisory Board and possibly also with other Supervisory and Executive Board members. The Minister can also call a meeting when she finds it expedient. The chairman of the Supervisory Board and the auditor can also request that meetings be held on specific subjects.

At the quarterly meetings the Minister is briefed about Energinet.dk and the status and development of its wholly-owned subsidiaries. Furthermore, the investment and financing plan and other important issues are discussed.

Energinet.dk always strives towards ensuring an open and relevant dialogue with its owner on Company-specific matters and energy issues.

### **The role and significance of stakeholders**

The Climate and Energy Minister appoints an advisory Stakeholder Forum representing a wide range of stakeholders in Energinet.dk and the relevant players in the electricity and gas sectors. Between them, the members of the Stakeholder Forum must have knowledge of consumer and social conditions, energy planning, research and development as well as environmental and climate issues.

The Stakeholder Forum is to support the operations of Energinet.dk, which include submitting opinions to Energinet.dk's Management on the Company's overall strategies and plans.

With a view to extending the collaboration between Energinet.dk on the one hand

and the local electricity grid companies, regional electricity transmission companies and the players in the electricity and gas markets on the other, a grid committee, a transmission committee and a market committee have been established. As for gas, a player forum ensures collaboration between Energinet.dk and the gas market players.

Once a year Energinet.dk carries out a customer satisfaction survey in order to adjust and improve its services on the basis of customer requirements and expectations.

### **Openness and transparency**

Energinet.dk has set up procedures ensuring that it provides the information which is deemed to be of importance to the owner. It is not Energinet.dk's responsibility to make political decisions, but it is responsible for ensuring that the political decision-makers have the correct facts before making any decisions.

Energinet.dk's communication policy, adopted in 2007, is based on openness and dialogue as the stakeholders – be they customers, cooperation partners, citizens, authorities or the press – have a legitimate expectation that Energinet.dk, a public enterprise with an important social role, communicates openly and transparently about its activities.

### **Tasks and responsibility of the Supervisory Board**

The Supervisory Board employs and dismisses the Executive Board and determines the terms of employment of the Executive Board.

The Supervisory Board has drafted guidelines for the Executive Board, determining among other things the tasks to be performed by the Executive Board and the mutual distribution of tasks as well as directions for reporting and presenting decisions to the Supervisory Board. The guidelines have been presented to the Minister for Climate and Energy for her information.

The Supervisory Board is responsible for ensuring that Energinet.dk's organisational structure is appropriate, that Energi-



net.dk's financial resources are sufficient at all times in light of Energinet.dk's activities and that accounting, asset management and compliance with legislation are monitored in a satisfactory manner given Energinet.dk's circumstances.

Each year, the Supervisory Board prepares a proposal for an investing and financing plan for the Company's overall investing and financing activities. This includes suggestions as to how to meet the need for expansion and major modifications of the electricity and gas grid infrastructure and how to exercise the purchase obligation of the Danish State in pursuance of the Danish Act on Energinet.dk. Proposed investing and financing plans are presented to the Climate and Energy Minister for approval.

The chairman of the Supervisory Board cannot perform any tasks on behalf of Energinet.dk that are not a natural part of the position as chairman of the Supervisory Board. Excepted from this are individual tasks which the person concerned is asked to perform by and on behalf of the Supervisory Board.

Furthermore, the Supervisory Board's work is subject to a continuous internal review. This is done in order to ensure the best possible management of the Company.

#### **Composition of the Supervisory Board**

The Climate and Energy Minister appoints eight of the 11 Supervisory Board members, including two members on the recommendation of the electricity sector. One member with knowledge of the gas sector will also be appointed.

Between them, the Supervisory Board must have general business and managerial competencies as well as insight into the fields of electricity, gas and heating supply as well as consumer and social conditions. The Supervisory Board members must be independent of commercial interests in companies engaging in production and trade within electricity and gas.

See also Energinet.dk's Articles of Association for more information about the composition of the Supervisory Board.

#### **Remuneration for the Supervisory and Executive Boards**

The remuneration for Supervisory Board members is determined by the Climate and Energy Minister, giving due consideration to the nature of the position and the extent of the work.

The remuneration for the Executive Board is benchmarked against the remuneration paid to persons in similar positions.

#### **Risk management**

Energinet.dk always strives to gain an overview of the strategic, operational, insurable and financial risk factors and to manage them with a view to reaching its goals. Energinet.dk aims at reducing the potential force of the risk factors and counteracting their possible consequences. Focus is also on determining who is responsible for risk management in the Company and laying down the framework for overall risk management reporting. The risk policy serves as the basis for the Company's insurance and financing policies and for a revision of internal controlling and business processes with a view to hedging risks.

In 2007, Energinet.dk continued its work to prepare a strategic risk analysis of non-financial risks. The purpose is to provide Energinet.dk with a tool to assess selected key risks related to the Company and to identify and classify Energinet.dk's most significant risk areas.

The Executive Board informs the Supervisory Board of the status, development and action plans relating to the individual risk factors.

#### **Auditing**

Energinet.dk's annual report is audited by Rigsrevisionen in pursuance of the provisions of the Danish Financial Statements Act and the rules provided in the Act on the Auditing of Governmental Accounts etc.

As auditor for Energinet.dk, the Auditor General reports to the Supervisory Board, which presents the financial statements. The Auditor General may report on the audit to the members of the Danish Public Accounts Committee at their request and of his own volition. A draft for a report to the members of the Danish Public

Accounts Committee is presented to the Supervisory Board and the Climate and Energy Minister for comments.

Following agreement between the Climate and Energy Minister and the Auditor General, an internal audit is set up in pursuance of Section 9 of the Danish Auditor General Consolidation Act. The internal audit is handled by a state-authorised accountant who also audits the financial statements of Energinet.dk's subsidiaries. The Auditor General supervises the internal audit. The agreement lays down the details of the tasks to be performed in connection with the internal audit and the relationship with the Auditor General in pursuance of Section 9 of the Danish Auditor General Consolidation Act.

The Auditor General and the auditor performing the internal audit must each keep auditors' records for the use of the Supervisory Board. The Auditor General and the auditor performing the internal audit must forward a copy of any additions made to the auditors' records to the Supervisory Board members.

#### **Public and internal supervision**

The Danish Access to Public Administration Files Act, the Danish Public Administration Act, and the Danish Ombudsman Act apply to the activities carried out by Energinet.dk and its wholly-owned subsidiaries.

Energinet.dk prepares relevant internal monitoring programmes with a view to avoiding discriminatory behaviour in relation to the transmission and TSO activities concerning the electricity and gas supply.

Energinet.dk immediately informs the Danish Commerce and Companies Agency of all material aspects concerning Energinet.dk which may be expected to have an impact on Energinet.dk's future, employees and creditors.

Energinet.dk's Articles of Association and the decisions made by the Climate and Energy Minister are submitted to the Danish Commerce and Companies Agency with a view to publication.



# Financial review

## Net profit for the year

The net profit for the year is DKK 586 million after tax compared to a loss of DKK 170 million in 2006. The results include the realised excess revenue/deficit for the year, consolidation of the contributed capital and other adjustments primarily resulting from the adjustment of tax liabilities. The good results are largely attributable to the deficit of previous years, which was charged via the tariffs in 2007, and a positive impact of the tax on the net profit for the year of DKK 238 million following a reduction in the corporation tax from 28 per cent to 25 per cent.

The net profit for the year before tax totals DKK 531 million, which is DKK 207 million higher than originally announced. The improved results are primarily attributable to the accounting treatment of congestion rents and generally higher system tariffs.

In addition, the significant accounting estimates have been changed. For accounting purposes, the useful life of the natural gas grid has been extended from 2019 until 2029, which reduced depreciation in 2007 by DKK 124 million.

Furthermore, a nature restoration liability of DKK 818 million has been recognised. The restoration liability primarily concerns natural gas facilities, offshore substations and power line routes. The recognition of the liability, which has been set off against the non-current assets concerned, increased the financial expenses for 2007 by DKK 59 million and depreciation for the year by DKK 57 million.

The changes in accounting estimates and the recognition of the restoration liability were not included in the original expectations for the 2007 results.

## Basic principles for Energinet.dk's finances

Energinet.dk's finances are based on a break-even principle as the Danish Execu-

tive Order on the Financial Regulation of Energinet.dk only allows the Company to recognise the necessary costs of efficient operations plus the necessary return on the contributed capital. This means that the necessary costs incidental to the activities concerned are included in the tariffs paid by the customers.

Necessary costs are costs incurred by the Company for reasons of operating economy in order to maintain efficient operations. Critical control parameters are used actively to constantly ensure good administration.

The consequence of using the break-even principle is that over time the financial results for the year will be zero when disregarding the return on the contributed capital.

The Danish Energy Regulatory Authority announces the rate of return on the Company's contributed capital each quarter. The rate of return can be adjusted to reflect the rate of return required to ensure efficient operations in light of the capital requirement, for instance as a result of investments. For 2007, equity consolidation at the amount of DKK 136 million after tax was recognised for electricity activities and DKK 8 million after tax for gas activities. This corresponds to the rate of return announced by the Energy Regulatory Authority for 2007.

For 2007 Energinet.dk realised excess revenue of DKK 320 million from grid and system activities. In addition, excess revenue relating to gas transmission of DKK 239 million was realised.

In pursuance of Section 11(4) of the Danish Executive Order on the Financial Regulation of Energinet.dk, the Danish Energy Regulatory Authority must inform Energinet.dk of any corrections of the difference

ascertained by Energinet.dk between the realised income, necessary costs and rate of return. The Danish Energy Regulatory Authority has reviewed the 2006 Annual Report and has stated in a consultation note dated 22 February 2008 that part of the net profit distributed in previous years, ie DKK 467 million, which was used by Energinet.dk to adjust the contributed capital (DKK 168 million) and other reserves (DKK 299 million), should be transferred to 'Excess revenue/deficit'.

Management is of the opinion that the Danish Energy Regulatory Authority's initial comments on its decision conflict with the Danish Executive Order on the Financial Regulation of Energinet.dk, and Management has therefore decided not to transfer these amounts to excess revenue/deficit in the 2007 Annual Report.

However, the recognition of the adjustment of deferred tax liabilities resulting from the reduction in the corporation tax was in 2007 recognised in the item 'Excess revenue/deficit' under equity, cf. the ruling from the Danish Energy Regulatory Authority. Energinet.dk has decided to appeal against this ruling as it is of the opinion that this is also in conflict with the Executive Order on the Financial Regulation of Energinet.dk. The adjustment constituted DKK 238 million in 2007, and this amount will be transferred to the item 'Other reserves' under equity if Energinet.dk succeeds in its complaint.

## Gross revenue

Energinet.dk's gross revenue totalled DKK 9,382 million in 2007, which is an increase of DKK 1,585 million or 20 per cent over 2006.

The increase is largely the result of growing tariff revenue and income from interconnections (congestion rents). The rising tariff revenue is solely due to increasing

Gross revenue (amounts in DKK million)	2007	2006	2005
Tariff revenue	7,255	4,146	6,637
Sale of electricity	1,315	2,043	1,952
Congestion rents from interconnections	897	296	694
Balance market	273	272	585
Excess revenue/deficit from PSO	(410)	963	(51)
Other revenue	52	77	118
<b>Total gross revenue</b>	<b>9,382</b>	<b>7,797</b>	<b>9,935</b>

tariffs in 2007 compared to 2006. As far as congestion rents from interconnections is concerned, DKK 592 million was transferred to 'Deferred income' in 2006 to be used in connection with the future expansion of the electricity infrastructure with a view to reducing congestion in the electricity grid. No transfer to reserves was made in 2007, and all congestion rents were used to reduce tariffs. This contributed significantly to the increase of DKK 601 million over last year.

Income from the sale of electricity, on the other hand, dropped markedly from DKK 2,043 million in 2006 to DKK 1,315 million in 2007. This fall is primarily due to the electricity market price being markedly lower in 2007. Only a minor part of the fall is attributable to changes in the volumes of electricity generated.

#### Revenue

The revenue indicates the total revenue generated by Energinet.dk when exclud-

ing PSO activities. In 2007, the revenue amounted to DKK 4,158 million compared to DKK 3,391 million in 2006. The increase stems from the accounting treatment of congestion rents and generally higher system tariffs.

#### Costs of environmentally-friendly electricity generation

Costs of environmentally-friendly electricity generation rose from DKK 4,406 million in 2006 to DKK 5,224 million in 2007.

The costs of environmentally-friendly electricity generation climbed by DKK 818 million, distributed with DKK 418 million to subsidies to local CHP plants, DKK 373 million to subsidies to wind turbines and other RE facilities, and DKK 27 million to other expenses.

The increase is largely the result of the low electricity market prices in 2007 compared to the year before. As a consequence of the falling spot market prices Energinet.dk

paid out considerably larger subsidies to the power generators in 2007 than in 2006. This was due to the fact that a guaranteed minimum price is paid to the power generators for the electricity generated, with Energinet.dk subsequently paying expenses corresponding to the difference between the spot price and the guaranteed minimum price.

#### Other external expenses

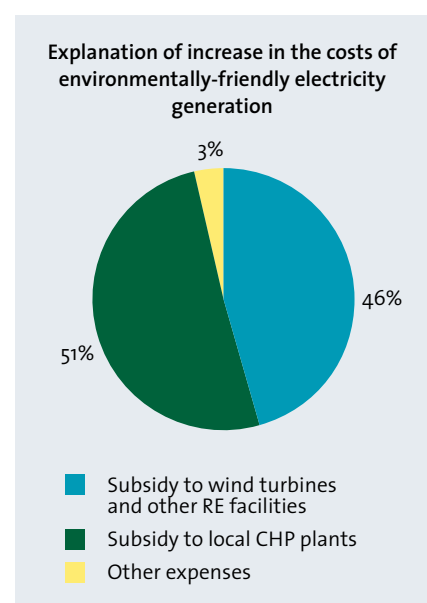
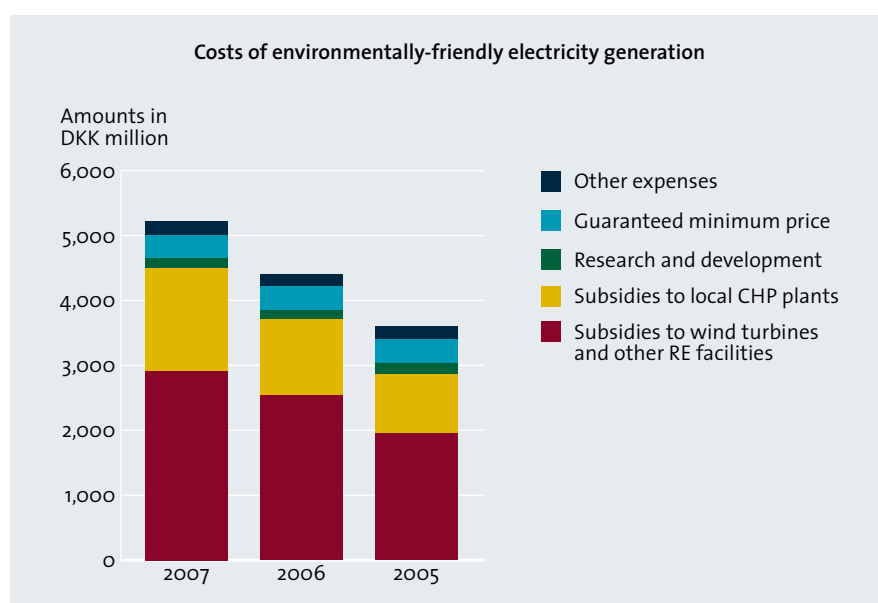
Other external expenses totalled DKK 2,584 million in 2007, which is a drop of DKK 162 million or 6 per cent over 2006.

The fall is primarily attributable to reduced expenses related to the purchase of electricity, reserve capacity and ancillary services. These expenses have fallen mainly because of the low electricity market price. Furthermore, the availability payment for the 132/150 kV grid has increased by DKK 60 million. This corresponds to an increase of 10 per cent, which stems primarily from the annual indexation of the availability payment.

Other external expenses rose by DKK 69 million, which is an increase of 19 per cent. The increase results primarily from the acquisition of the Lille Torup natural gas storage facility in 2007.

#### Staff costs

Energinet.dk's staff costs climbed by DKK 34 million. In 2007, DKK 286 million was



Other external expenses (amounts in DKK million)	2007	2006	2005
Purchase of electricity and gas	(434)	(527)	(813)
Purchase of storage capacity and emergency supply	(216)	(248)	(245)
Purchase of reserve capacity and ancillary services	(821)	(856)	(733)
Availability payment for the 132/150 kV grid	(634)	(574)	(558)
Expenses incurred in connection with foreign grids	(47)	(178)	(64)
Other external expenses	(432)	(363)	(393)
<b>Total other external expenses</b>	<b>(2,584)</b>	<b>(2,746)</b>	<b>(2,806)</b>

realised compared to DKK 252 million in 2006. The rise mainly stems from an increase in the number of employees, more project work activities due to the merger and the general development in wages and salaries. The increase in the number of employees is due to two factors: the development of the business segment involving gas storage activities and other minor activity expansions within the Group. In 2007, focus was also on adapting the number of employees to the Group's activities.

#### Annual depreciation

Annual depreciation rose from DKK 571 million in 2006 to DKK 593 million in 2007. The DKK 22 million increase covers increased depreciation caused by the expansion of the gas storage activities of DKK 74 million. In addition, the useful lives of the power and gas facilities were revaluated for accounting purposes in 2007. This revaluation caused the annual depreciation to fall by DKK 104 million in 2007; a fall which is mainly related to natural gas facilities. In 2007, nature restoration liabilities were recognised in the Company's non-current assets. The nature restoration liabilities increased depreciation by DKK 57 million in 2007.

#### Net financials

Net financials including fair value adjustments totalled DKK 271 million in 2007 compared to DKK 149 million in 2006. The increase of DKK 122 million is linked to the interest-bearing debt having increased from DKK 6,075 million in 2006 to DKK 8,225 million in 2007. The increase in the interest-bearing debt stems mainly from the fact that in 2007 the expansion of the activities involving the natural gas storage facility was financed with DKK 2 billion and that part of the funding required for acquiring the regional transmission grid from

DONG Energy in 2008 has been provided. This means that the portfolio of cash and securities was extraordinarily large, ie DKK 1,178 million, at the end of 2007. In 2007, on the other hand, tariff deficits from previous years were reduced significantly. In addition, the interest level was generally higher in 2007 than in 2006.

#### Tax on net profit for the year

The tax on the net profit for the year is positive, totalling DKK 55 million. The positive tax on the net profit for the year is due to the corporation tax having been reduced from 28 per cent to 25 per cent. This reduction alone affects the tax for the year with DKK 238 million.

The tax payable for 2007 constitutes DKK 28 million and is solely related to Energinet.dk's gas activities.

The Danish Corporation Tax Act was amended radically in 2007 with the adoption of act L213. In addition to reducing the corporation tax rate, the new act also introduced a number of tightenings, which for Energinet.dk resulted in reduced deductions in connection with the determination of the taxable income. The amendments in L213 will take full effect in the 2008 accounting period and future accounting periods. An immediate consequence of the tightenings is increased taxes payable, which Energinet.dk in pursuance of the Danish Executive Order on the Financial Regulation of Energinet.dk can charge via the tariffs.

#### Balance sheet

Energinet.dk's balance sheet total rose from DKK 14,086 million in 2006 to DKK 18,873 million in 2007. The increase of DKK 4,787 million is mainly attributable to the take-over of the Lille Torup natural gas

storage facility, the recognition of nature restoration liabilities and the provision of the funding required for purchasing the regional transmission grid in North Zealand from DONG Energy in 2008.

#### Assets

The increase in assets primarily stems from property, plant and equipment having increased from DKK 10,061 million in 2006 to DKK 13,303 million in 2007.

The increase of DKK 3,242 million is primarily attributable to the recognition of the Lille Torup natural gas facility at the amount of DKK 2,385 million and the recognition of nature restoration liabilities at the amount of DKK 759 million. In addition, investments of DKK 915 million were made in technical plant and software. In 2007, depreciation of non-current assets at the amount of DKK 1,009 million was provided.

In addition, trade receivables rose from DKK 155 million in 2006 to DKK 706 million in 2007. The increase is largely a result of changed terms of payment for the settlement of tariffs.

Furthermore, in 2007, work was started to raise the funding necessary for acquiring DONG Energy's 132 kV grid in North Zealand; a process that was initiated in 2007. This increased the balance sheet total by DKK 480 million, which has been temporarily placed in securities. All the funding required had been provided at the beginning of 2008.

#### Equity

Equity rose by DKK 586 million from DKK 3,627 million in 2006 to DKK 4,213 million DKK in 2007.

Of the net profit for the year, a return on the contributed capital of DKK 144 million was recognised in 2007. The return is recognised as a part of the Company's contributed capital with a view to maintaining the real value of the contributed capital.

The adjustment of the item 'Other reserves' constituted DKK 117 million as a result of the adjustment of deferred tax liabilities, results of subsidiaries and the market value of hedging instruments.



Adjustments of the deferred tax liability of DKK 238 million as a result of the reduction in the corporation tax rate from 28 per cent to 25 per cent were recognised in 'Excess revenue/deficit'.

The remaining adjustment of DKK 539 million has been transferred to 'Excess revenue/deficit' and is distributed with DKK 320 million on electricity activities and DKK 239 million on gas activities.

Equity has been adjusted as a result of the distribution of net profit in previous years. The reason for this adjustment is mainly the extraordinary consolidation from 2005 of DKK 50 million and the transfer of positive adjustments of deferred tax liabilities from 2005 as a consequence of the reduction in the corporation tax rate from 30 per cent to 28 per cent. Another reason is the adjustment of the consolidation as a consequence of the reduction in the consolidation percentage.

#### Debt and financial issues

Liabilities other than provisions rose from DKK 8,918 million in 2006 to DKK 11,679 million in 2007. The increase of DKK 2,761 million, which corresponds to 31 per cent, is primarily due to the high investment level in 2007. In 2007, the Group incurred debt at the amount of DKK 2 billion in connection with the acquisition of the Lille Torup gas storage facility. In addition, the debt was primarily increased by DKK 601 million, an amount which originates in trade payables, which are attributable to increased credits in connection with the settlement of electricity.

At the end of 2007, the interest-bearing net debt totalled DKK 7.4 billion after refinancing, and 41 per cent of the interest-bearing debt was made up of floating-interest loans. Due to the high proportion of floating-interest loans, Energinet.dk is relatively sensitive to interest-rate changes. At the end of 2007, the floating-interest debt consisted of existing floating-interest loans totalling DKK 2.2 billion, Commercial Papers (CP) totalling DKK 1.1 billion, and net deposits in respect of bank credits, accounts and securities totalling DKK 0.2 billion.

Energinet.dk has been affected by the generally increasing interest rates, and in 2007, the average effective borrowing rate on the interest-bearing debt was 4.28 per cent as opposed to 3.7 per cent in 2006.

Energinet.dk has the second-best rating (AA+) from the acknowledged rating agency Standard & Poor's. In the time leading up to the purchase of the Lille Torup gas storage facility, Standard & Poor's placed Energinet.dk on the observation list until all corporate and financing matters had been clarified. After Energinet.dk Gaslager Holding A/S and Energinet.dk Gaslager A/S had been formed, Standard & Poor's once again gave Energinet.dk an AA+ rating.

On 31 December 2007, Energinet.dk took out a loan of USD 150 million with the European Investment Bank (EIB). According to the loan conditions the EIB can demand that the loan be redeemed if Energinet.dk's rating falls below A+ at any time. Redemption can be avoided if Energinet.dk can provide satisfactory security for the loan.

Energinet.dk's financing policy provides the operational framework for the Company and stipulates how much interest rates are allowed to fluctuate. The duration of the interest-bearing debt was 3.36 years in 2007 as opposed to 3.57 years in 2006. The fall is due to displacements in the distribution of fixed-interest debt and floating-interest debt and an overall reduction in the time to maturity of one year on loans taken out in previous years. Energinet.dk stayed within the framework of the financing policy in 2007.

Because of the credit exposure all customers buying services and suppliers participating in projects must be assessed by Energinet.dk. The majority of the customer groups are subject to rules or standard

terms regulating, for example, the requirements with regard to credit assessment and the provision of security. The customer credit assessment is updated at least once a year.

Energinet.dk only concludes agreements on financial instruments with counterparties having a credit rating of minimum AA- from two acknowledged rating agencies. In addition, the Company uses Credit Support Annex (CSA) when concluding financial agreements. In CSA, security is exchanged on a continuous basis depending on the counterparties' credit rating.

#### Cash flow statement

The change in cash and cash equivalents for 2007 constitutes an increase of DKK 636 million as opposed to a fall of DKK 208 million in 2006. This change is largely the result of the positive operating profit for the year of DKK 802 million. In addition, cash flows from operating activities climbed by DKK 410 million due to a reduction in the accumulated deficit from the PSO tariff.

Cash flows from investing activities totalled DKK 2,946 million compared to DKK 302 million in 2006. The increase of DKK 2,644 million over 2006 is primarily due to investments in Energinet.dk Gaslager A/S at the amount of DKK 1,510 million and in securities at the amount of DKK 480 million. The investment in property, plant and equipment for the year of DKK 836 million mainly relates to the construction of the Great Belt Power Link and the new head office in Fredericia.

Cash flows from financing activities totalled DKK 2,401 million while negative cash flows of DKK 183 million were recorded in 2006. Of this, long-term borrowing (net) amounted to DKK 1,602 million. Borrowing was done primarily to finance

Credit facilities	Drawn credit facilities	Undrawn credit facilities	Frame
(amounts in DKK million)	at 31.12.2007		
Short credits	358	742	1,100
Commercial Papers	1,140	2,806	3,946
Securities (liquid)		480	
Cash and cash equivalents		698	
<b>Overall cash resources</b>		<b>4,726</b>	

the acquisition of Energinet.dk Gaslager A/S and to provide the funding necessary to acquire the regional transmission grid in North Zealand from DONG Energy.

Undrawn credit facilities consist of credit facilities offered by the Group's banks and an established loan limit within the CP programme.

#### Outlook for 2008

The outlook for 2008 builds on an extensive financial assessment of each individual business segment. It naturally follows that information about the future is highly uncertain.

The Energinet.dk Group expects an after-tax loss of DKK 208 million for 2008. The reason for the loss is that excess revenue accumulated in previous years is expected to be reduced by DKK 216 million in 2008. In addition, an adjustment of the equity under 'Other reserves' of DKK 67 million is forecast, which primarily covers the adjustment of deferred tax liabilities. Furthermore, DKK 75 million is recognised as consolidation of the contributed capital. In addition to the adjustments of the results, excess revenue of DKK 415 million in respect of PSO activities is forecast.

In the following the central budget assumptions are described:

An average electricity market price in Western Denmark of 43.2 øre/kWh and 43.7 øre/kWh in Eastern Denmark is forecast. The prices are based on the forward prices at the time when the budget was prepared. In addition, capacity costs of 8.58 DKK/kWh and volume payments relating to the transport of gas amounting to 0.096 øre/kWh have been assumed. Furthermore, a price of DKK/kWh 0.607 is forecast for emergency supply. Price reductions of 25 per cent and 5 per cent, respectively, are granted on the emergency supply tariff for hyper-interruptible supply and interruptible supply at 36 hours' notice.

On 1 January 2008, Energinet.dk took over the financial administration of subsidies to electricity generation. The subsidy was previously administered by the grid compa-

nies. This task will not affect Energinet.dk's operations as the Danish Energy Authority will reimburse Energinet.dk the costs of the subsidy. Energinet.dk will also receive an administration fee from the Danish Energy Authority.

Operating and administrative expenses have been adapted to the generally higher level of activity in Energinet.dk as a result of large investments in plants and planning tasks. The increased level of activity mainly stems from the strategic natural gas infrastructure projects. It has also been decided to implement a more high-profile international strategy in order to influence the development within the energy-political field.

As was the case in 2007, congestion rents from the interconnections for 2008 will for Eastern Denmark be recognised fully in operations. Where Western Denmark is concerned, it has been decided to transfer DKK 300 million to later investments. Congestion rents will be transferred to investments with a view to reducing congestion in the power system. The amount transferred has been earmarked to increase the transfer capacity between Denmark and Norway.

Energinet.dk has entered into an agreement to purchase the electricity transmission grid in North Zealand from DONG Energy. The grid was taken over with financial effect from 1 January 2008. The costs of integrating this grid have been included in the 2008 budget. The purchase increases the integration costs for a number of years but reduces the availability payment to DONG Energy.

Energinet.dk's interest expenses are expected to increase to DKK 420 million (based on an average borrowing rate of 4.52 per cent) – primarily due to the purchase of DONG Energy's 132 kV transmission grid, which increases the loan portfolio by DKK 2 billion. Furthermore, interest rates are expected to be generally higher, which will affect floating-rate loans. On the other hand, the deficit on PSO activities is expected to be on the decline, which means that it will be less necessary to draw on short credits in 2008.

#### Events after the balance sheet date

No significant events have occurred after the balance sheet date that affect the fair presentation of the Group's and the Parent's assets, liabilities and financial position at 31 December 2007 and the results of the Group's and the Parent's activities.

#### Business segments

In pursuance of the Danish Act on Energinet.dk and the Danish Executive Order on the Financial Regulation of Energinet.dk issued by the Danish Ministry of Climate and Energy, Energinet.dk must prepare financial statements for electricity and natural gas activities. In addition, financial statements must be prepared for separate tariff areas in pursuance of the Danish Electricity Supply Act. Where electricity activities are concerned, segment financial statements must be prepared for the PSO, system and grid segments. Where natural gas activities are concerned, financial statements must be prepared for the transmission segment and the storage segment.

Segment financial statements are prepared in accordance with an adapted 'full cost' allocation method with 'activity-based costing' methods being used as the allocation principle for income and expenses.

Principles and methods for income and expense allocation must be based on the individual business segment's drain on overall capacity. Segment financial statements for the various business segments must be presented partly on the basis of income and expense registrations and partly on cost allocation bases using statistical data.

Where the allocation of assets and liabilities for accounting purposes is concerned, this is to the extent possible based on specific registrations. Where this is not possible, allocation is performed on the basis of cost allocation bases using historical data.

In pursuance of Section 12(2) of the Danish Act on Energinet.dk, Energinet.dk must have segment financial statements audited in the same manner as if the activities concerned were performed by separate enterprises.

The development in the business segments in 2007 is commented upon below. The complete segment financial statements can be seen on pages 61-66.

For the electricity activities Energinet.dk recorded a total deficit for the year in the PSO segment of DKK 410 million and total excess revenue for the grid and system segments of DKK 320 million. The excess revenue for gas transmission amounted to DKK 239 million.

In pursuance of Section 13 of the Danish Act on Energinet.dk, DKK 144 million of the profit of DKK 586 million will be used for consolidating the contributed capital.

#### Grid segment

The grid segment includes expenses for the operation, maintenance and administration of the electricity grid at the 132/150 and 400 kV voltage levels. The expenses are divided between availability payments for the grid systems not owned by Energinet.dk and the operation and maintenance of its own facilities.

Revenue rose from DKK 1,294 million in 2006 to DKK 1,611 million in 2007. The increase of DKK 317 million is primarily attributable to increased income from interconnections of DKK 601 million. However, lower tariffs in 2007 caused the tariff revenue to drop by DKK 285 million. The grid tariff was reduced from 1.8 øre/kWh in

Grid loss	2007	2006
Grid loss in domestic grid, GWh	519	489
Grid loss in interconnections, GWh	274	301
Total loss, GWh	793	790
Average price, DKK million/GWh	0.30	0.37
<b>Total expenses, DKK million</b>	<b>237</b>	<b>295</b>

2006 to 1.4 øre/kWh in 2007 for Western Denmark and from 3.4 øre/kWh in 2006 to 2.2 øre/kWh in 2007 for Eastern Denmark.

Expenses related to the purchase of grid losses are down from DKK 295 million in 2006 to DKK 237 million in 2007 due to the low electricity market price. Energinet.dk pays the expenses related to grid losses in the 132 kV, 150 kV and 400 kV grids and the interconnections. Grid loss is considered ordinary consumption and pays for the grid tariff for consumption as well as the PSO tariff. The grid loss in interconnections only pays for the grid tariff.

Grid loss expenses fell in 2007 largely as a result of the lower electricity market price.

Expenses incurred in connection with availability payments is up from DKK 574 million in 2006 to DKK 634 million in 2007. Energinet.dk pays grid companies for placing the 132/150 kV grid at its disposal. The payment is fixed by the Danish Energy Regulatory Authority based on individual revenue caps for the transmission com-

panies. The increase mainly stems from revenue cap indexation.

Financial expenses are up from DKK 42 million in 2006 to DKK 68 million in 2007. The increased financial expenses in this segment are primarily due to the accumulation of a deficit of DKK 147 million at the beginning of the financial year that was eliminated in the course of 2007.

#### System segment

Energinet.dk handles the operation of the overall electricity transmission grid and is responsible for ensuring that there is always sufficient power in the electricity system to cover consumer requirements. The cost part of the system tariffs is paid by the users of the electricity system after deduction of balance market income.

Revenue rose from DKK 1,166 million in 2006 to DKK 1,553 million in 2007. The increase of DKK 387 million is largely the result of increased tariff revenue of DKK 397 million. The increased tariff revenue stems from a tariff increase from 2.3 øre/

#### Key figures for grid segment (amounts in DKK million)

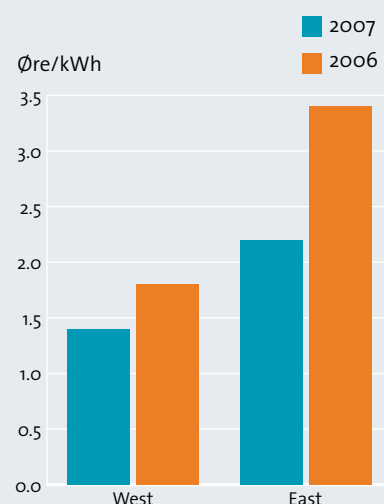
##### Income statement

	2007	2006	2005
Gross revenue	1,611	1,294	1,810
Revenue	1,611	1,294	1,810
Results before depreciation, amortisation and impairment	443	1	681
Operating profit/loss	155	(243)	403
Results of net financials	(68)	(42)	(47)
Results for the period	86	(172)	305

##### Balance sheet

Non-current assets	6,083	5,701	6,019
Current assets	1,127	444	501
Balance sheet total	7,210	6,145	6,520
Interest-bearing debt	1,455	974	1,332
Equity	3,414	3,328	3,494

#### Tariff development in the grid segment



Key figures for system segment (amounts in DKK million)	2007	2006	2005
<b>Income statement</b>			
Gross revenue	1,553	1,166	1,653
Revenue	1,553	1,166	1,653
Results before depreciation, amortisation and impairment	361	(92)	154
Operating profit/loss	341	(110)	125
Results of net financials	(25)	(8)	(11)
Results for the period	234	(88)	80
<b>Balance sheet</b>			
Non-current assets	586	202	205
Current assets	760	203	407
Balance sheet total	1,346	405	612
Interest-bearing debt	755	232	335
Equity	123	(111)	(25)

kWh in 2006 to 3.9 øre/kWh in 2007 for Western Denmark and from 2.9 øre/kWh in 2006 to 3.5 øre/kWh in 2007 for Eastern Denmark.

The expenses mainly cover the purchase of regulating power, reserve capacity and ancillary services. The total expenses incurred in connection with these activities totalled DKK 1,017 million in 2007 compared to DKK 1,084 million in 2006. This is a drop of DKK 67 million, ie 6 per cent, over 2006.

To maintain the physical balance in the electricity grid Energinet.dk equalises the differences between the balance-responsible parties' notifications and their actual consumption/generation. In practice,

Energinet.dk performs this equalisation by purchasing regulating power and transmitting it to balance-responsible parties with an imbalance. In 2007, Energinet.dk purchased regulating power for DKK 196 million compared to DKK 228 million in 2006. This is a fall of DKK 32 million, which is attributable to Energinet.dk having recorded net sales of energy to Sweden in 2007.

To maintain the technical quality and system security it is necessary for Energinet.dk to have reserve capacity at its disposal. In 2007, total expenses amounted to DKK 821 million compared to DKK 856 million in 2006. The reason for the DKK 35 million drop is that the price for reserves was

Tariff development in the grid segment



lower in 2007, primarily because of lower electricity prices in 2007 than in 2006, but this was partially counteracted by larger purchases of reserve capacity.

Operating expenses in the system segment include a distribution of the total operating expenses for the Group stemming from TSO and PSO activities. The total operating and administrative expenses totalled DKK 85 million, of which DKK 25 million was related to PSO activities.

Financial expenses are up from DKK 8 million in 2006 to DKK 25 million in 2007. The increased financial expenses of this segment are primarily attributable to the accumulation of a deficit of DKK 106 mil-

Key figures for PSO segment (amounts in DKK million)	2007	2006	2005
<b>Income statement</b>			
Gross revenue	5,224	4,406	5,549
Revenue	0	0	0
Results before depreciation, amortisation and impairment	0	0	0
Operating profit/loss (EBIT)	0	0	0
Results of net financials	0	0	0
Results for the period	0	0	0
<b>Balance sheet</b>			
Non-current assets	1,482	1,819	1,628
Current assets	1,033	1,384	660
Balance sheet total	2,515	3,203	2,288
Interest-bearing debt	1,280	2,226	1,506
Equity	0	0	0

Tariff development in the PSO segment



lion at the beginning of the financial year that was settled in the course of 2007.

#### PSO segment

The PSO segment covers Energinet.dk's PSO costs. Energinet.dk handles this task within the framework provided by the Danish Electricity Supply Act. Activities consist mainly of providing financial support to existing environmentally-friendly electricity generation and research in new technologies within environmentally-friendly electricity generation.

Revenue rose from DKK 4,406 million in 2006 to DKK 5,224 million in 2007. The increase of DKK 818 million is largely due to increasing tariffs in 2007 compared to 2006. The rising tariffs increased gross revenue for 2007 by DKK 2,919 million over 2006. Electricity sales, however, have fallen by DKK 728 million due to the low electricity market price. In addition, a deficit of DKK 963 million was realised in 2006 as opposed to excess revenue of DKK 410 million in 2007. This affected gross revenue with DKK 1,373 million.

The costs of environmentally-friendly electricity generation rose from DKK 4,406 million in 2006 to DKK 5,224 million in 2007. This increase is due to the electricity market price being lower in 2007 than in 2006.

#### Gas transmission segment

Gas transmission helps to ensure a well-functioning and competitive natural gas

market. The segment also handles all operation and maintenance tasks in the main Danish natural gas grid. Gas transmission transports all natural gas consumed in Denmark and the gas transported between Denmark, Germany and Sweden.

Revenue fell from DKK 931 million in 2006 to DKK 826 million in 2007, ie a drop of 11 per cent. This is attributable to lower depreciation, which reduced the revenue basis as a result of a reassessment of the useful lives of the natural gas pipelines. Moreover, on 1 October 2007 tariffs were reduced as a result of excess revenue in previous years.

Expenses were incurred for reserve and storage capacity totalling DKK 216 million in 2007 compared to DKK 248 million in 2006.

Annual depreciation is down from DKK 309 million in 2006 to DKK 211 million in 2007, ie a fall of DKK 98 million. The fall is primarily due to changed accounting estimates with regard to the useful lives of natural gas facilities.

#### Gas storage segment

The gas storage facility is situated in Lille Torup and is a vital element of the Danish security of natural gas supply. Energinet.dk is responsible for the operation and maintenance of the storage facility but also solves an important task in regulating the market conditions for natural gas. In this connec-

#### Key figures for gas storage segment (amounts in DKK million)

2007

##### Income statement

Gross revenue	168
Revenue	168
Results before depreciation, amortisation and impairment	130
Operating profit (EBIT)	56
Results of net financials	(62)
Results for the period	48

##### Balance sheet

Non-current assets	2,561
Current assets	65
Balance sheet total	2,626
Interest-bearing debt	1,912
Equity	48

tion, the gas storage facility is responsible for developing new storage products on a rolling basis in cooperation with the customers and the market. Inspiration for this work is obtained from foreign countries and other sectors. New possible measures will be discussed regularly with the gas market players.

In practice this means that Energinet.dk strives towards ensuring a well-functioning, liberalised gas market in Denmark where storage products are developed in cooperation with customers and at competitive prices.

Energinet.dk Gas Storage A/S was taken over on 1 May 2007 with retroactive effect from 1 January 2007. The company will be consolidated in the consolidated financial statements as from 1 May 2007. The information given in the table above thus covers the period from 1 May 2007 until 31 December 2007.

As the activity was taken over from DONG Energy in May 2007, comparative figures are not available for the previous periods.

#### Key figures for gas transmission segment (amounts in DKK million)

2007 2006 2005

##### Income statement

Gross revenue	826	931	923
Revenue	826	931	923
Results before depreciation, amortisation and impairment	461	538	515
Operating profit/loss (EBIT)	250	229	196
Results of net financials	(116)	(99)	(73)
Results for the period	218	90	170

##### Balance sheet

Non-current assets	4,407	4,105	4,251
Current assets	769	228	283
Balance sheet total	5,176	4,333	4,534
Interest-bearing debt	2,823	2,644	3,015
Equity	628	410	317



## Income statement

Parent		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
<b>7,797</b>	<b>9,249</b>	1	<b>Gross revenue</b>	<b>9,382</b>	<b>7,797</b>
(4,406)	(5,224)	2	Costs of environmentally-friendly electricity generation, etc.	(5,224)	(4,406)
<b>3,391</b>	<b>4,025</b>		<b>Revenue</b>	<b>4,158</b>	<b>3,391</b>
50	103		Work performed for own account and capitalised	103	50
o	8		Other operating income	4	4
<b>3,441</b>	<b>4,136</b>		<b>Total revenue</b>	<b>4,265</b>	<b>3,445</b>
(2,797)	(2,653)	3	Other external expenses	(2,584)	(2,746)
(208)	(229)	4	Staff costs	(286)	(252)
<b>(3,005)</b>	<b>(2,882)</b>		<b>Total expenses/costs</b>	<b>(2,870)</b>	<b>(2,998)</b>
<b>436</b>	<b>1,254</b>		<b>Results before depreciation, amortisation and impairment</b>	<b>1,395</b>	<b>447</b>
(566)	(513)	5	Depreciation, amortisation and impairment of property, plant and equipment as well as intangible assets	(593)	(571)
<b>(130)</b>	<b>741</b>		<b>Operating profit or loss</b>	<b>802</b>	<b>(124)</b>
6	17		Pre-tax profit in subsidiaries	o	o
5	1		Pre-tax profit in associates	1	5
112	90	6	Financial income	92	112
(266)	(318)	7	Financial expenses	(364)	(266)
<b>(143)</b>	<b>(210)</b>		<b>Total net financials</b>	<b>(271)</b>	<b>(149)</b>
<b>(273)</b>	<b>531</b>		<b>Pre-tax profit or loss</b>	<b>531</b>	<b>(273)</b>
103	55	8	Tax on net profit or loss for the year	55	103
<b>(170)</b>	<b>586</b>		<b>Net profit or loss for the year</b>	<b>586</b>	<b>(170)</b>
			<b>The following distribution of the net profit for the year is proposed:</b>		
89	144		Transferred as consolidation of the contributed capital	144	89
o	54		Reserve for net revaluation under the equity method	o	o
174	(171)		Other reserves	(117)	174
(433)	559		Transferred as excess revenue/deficit under equity	559	(433)
<b>(170)</b>	<b>586</b>		<b>Total</b>	<b>586</b>	<b>(170)</b>

## Balance sheet – Assets

Parent		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
			<b>Intangible assets</b>		
0	0		Goodwill	238	0
92	61		Software in progress	61	92
0	133		Software	133	0
1,615	1,325		Rights	1,336	1,626
<b>1,707</b>	<b>1,519</b>	9	<b>Total intangible assets</b>	<b>1,768</b>	<b>1,718</b>
			<b>Property, plant and equipment</b>		
110	352		Land and buildings	354	110
9,549	9,792		Technical plant	11,833	9,549
105	105		Cushion gas	379	105
51	171		Other plant, tools and operating equipment	183	60
236	554		Assets in the course of construction and prepayments on property, plant and equipment	554	237
<b>10,051</b>	<b>10,974</b>	10	<b>Total property, plant and equipment</b>	<b>13,303</b>	<b>10,061</b>
			<b>Investments</b>		
38	606		Equity investments in subsidiaries	0	0
47	47		Equity investments in associates	47	47
1	1		Other equity investments	1	1
<b>86</b>	<b>654</b>	11	<b>Total investments</b>	<b>48</b>	<b>48</b>
<b>11,844</b>	<b>13,147</b>		<b>Total non-current assets</b>	<b>15,119</b>	<b>11,827</b>
<b>50</b>	<b>116</b>		<b>Inventories</b>	<b>129</b>	<b>50</b>
			<b>Receivables</b>		
152	680		Trade receivables	706	155
2	3		Receivables from subsidiaries	0	0
105	233		Receivables from associates	233	105
1,854	1,445	12	Other receivables	1,445	1,854
33	27	13	Prepayments	27	33
0	36	14	Assets intended for sale	36	0
<b>2,146</b>	<b>2,424</b>		<b>Total receivables</b>	<b>2,447</b>	<b>2,147</b>
<b>0</b>	<b>480</b>		<b>Securities</b>	<b>480</b>	<b>0</b>
<b>58</b>	<b>660</b>		<b>Cash and cash equivalents</b>	<b>698</b>	<b>62</b>
<b>2,254</b>	<b>3,680</b>		<b>Total current assets</b>	<b>3,754</b>	<b>2,259</b>
<b>14,098</b>	<b>16,827</b>		<b>Total assets</b>	<b>18,873</b>	<b>14,086</b>

## Balance sheet – Equity and liabilities

Parent				Group	
2006	2007	Note	Amounts in DKK million	2007	2006
Equity					
3,325	3,325		Contributed capital	3,325	3,325
175	435		Consolidation of contributed capital	435	175
0	59		Reserve for net revaluation under the equity method	0	0
299	(51)		Other reserves	8	299
(172)	445		Excess revenue/deficit	445	(172)
3,627	4,213		Total equity	4,213	3,627
Provisions					
1,517	1,520	15	Deferred tax liabilities	2,088	1,521
20	845	16	Provisions	893	20
1,537	2,365		Total provisions	2,981	1,541
Long-term liabilities other than provisions					
495	495	17	Mortgage debt	1,889	495
4,080	3,843	17	Payables to credit institutions	3,843	4,080
922	835	18	Deferred income	837	922
5,497	5,173		Total long-term liabilities other than provisions	6,569	5,497
Short-term liabilities other than provisions					
477	633	17/18	Current maturities of long-term liabilities other than provisions	721	477
1,133	1,882		Payables to credit institutions	1,882	1,133
114	715		Accounts payable	715	114
17	90		Amounts owed to subsidiaries	0	0
1	28	19	Corporation tax	28	2
1,695	1,728	20	Other payables	1,764	1,695
3,437	5,076		Total short-term liabilities other than provisions	5,110	3,421
8,934	10,249		Total liabilities other than provisions	11,679	8,918
14,098	16,827		Total equity and liabilities	18,873	14,086
		21	Provision of security and charges		
		22	Group derivative financial instruments		
		23	Acquisitions		
		24	Contingent liabilities and other financial liabilities		
		25	Related parties		

## Statement of changes in equity for 1 January - 31 December

Amounts in DKK million

Parent	Contributed capital	Consolidation of contributed capital	Net revaluation under the equity method	Other reserves	Excess revenue/ deficit	Total
<b>Equity at 1 January 2006</b>	<b>3,325</b>	<b>86</b>	<b>0</b>	<b>227</b>	<b>148</b>	<b>3,786</b>
Adjustment of the distribution of net profit in previous years				(113)	113	0
Net profit or loss for the year		89		174	(433)	(170)
Value adjustment of hedging instruments, beginning of year				15		15
Value adjustment of hedging instruments, end of year				(4)		(4)
<b>Equity at 31 December 2006</b>	<b>3,325</b>	<b>175</b>	<b>0</b>	<b>299</b>	<b>(172)</b>	<b>3,627</b>
Adjustment of the distribution of net profit in previous years		116	5	(179)	58	0
Net profit or loss for the year		144	54	(171)	559	586
Value adjustment of hedging instruments, beginning of year				4		4
Value adjustment of hedging instruments, end of year				(4)		(4)
<b>Equity at 31 December 2007</b>	<b>3,325</b>	<b>435</b>	<b>59</b>	<b>(51)</b>	<b>445</b>	<b>4,213</b>
Group	Contributed capital	Consolidation of contributed capital	Net revaluation under the equity method	Other reserves	Excess revenue/ deficit	Total
<b>Equity at 1 January 2006</b>	<b>3,325</b>	<b>86</b>	<b>0</b>	<b>227</b>	<b>148</b>	<b>3,786</b>
Adjustment of the distribution of net profit in previous years				(113)	113	0
Net profit or loss for the year		89		174	(433)	(170)
Value adjustment of hedging instruments, beginning of year				15		15
Value adjustment of hedging instruments, end of year				(4)		(4)
<b>Equity at 31 December 2006</b>	<b>3,325</b>	<b>175</b>	<b>0</b>	<b>299</b>	<b>(172)</b>	<b>3,627</b>
Adjustment of the distribution of net profit in previous years		116		(174)	58	0
Net profit or loss for the year		144		(117)	559	586
Value adjustment of hedging instruments, beginning of year				4		4
Value adjustment of hedging instruments, end of year				(4)		(4)
<b>Equity at 31 December 2007</b>	<b>3,325</b>	<b>435</b>	<b>0</b>	<b>8</b>	<b>445</b>	<b>4,213</b>

## Cash flow statement

Amounts in DKK million	Note	Group	
		2007	2006
<b>Operating profit or loss for the period</b>		<b>802</b>	<b>(124)</b>
Reversal of items without effect on cash flows		(215)	64
Depreciation, amortisation and impairment of property, plant and equipment as well as intangible assets		1,009	952
Payments in respect of provisions		(7)	(10)
Change in inventories		(67)	(13)
Change in receivables		(710)	(132)
Change in liabilities		156	806
Change in accumulated deficit (PSO segment)		410	(963)
<b>Cash flows from operating activities before net financials</b>		<b>1,378</b>	<b>580</b>
Interest receivable		57	77
Interest payable		(254)	(290)
<b>Cash flows from ordinary activities</b>		<b>1,181</b>	<b>367</b>
Paid corporation tax		0	(90)
<b>Cash flows from operating activities</b>		<b>1,181</b>	<b>277</b>
Investment in subsidiaries	23	(1,510)	0
Investment in associates		(5)	0
Investment in intangible assets		(122)	(92)
Investment in property, plant and equipment		(836)	(332)
Investment in securities		(480)	0
Sale of property, plant and equipment		2	117
Dividend received from associates		5	5
<b>Cash flows from investing activities</b>		<b>(2,946)</b>	<b>(302)</b>
Proceeds from long-term borrowings		2,018	2,579
Repayment of long-term loans		(416)	(892)
Value adjustment of financial instruments		50	11
Short-term borrowings/repayment, net		749	(1,881)
<b>Cash flows from financing activities</b>		<b>2,401</b>	<b>(183)</b>
Change in cash and cash equivalents		636	(208)
Cash and cash equivalents at 1 January		62	270
<b>Cash and cash equivalents at 31 December</b>		<b>698</b>	<b>62</b>

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



## Notes

Parent		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		<b>1</b>	<b>Gross revenue</b>		
4,406	5,224		PSO segment (electricity) incl. excess revenue/deficit	5,224	4,406
1,166	1,553		System segment (electricity)	1,553	1,166
1,294	1,611		Grid segment (electricity)	1,611	1,294
931	861		Gas transmission segment	826	931
0	0		Gas storage segment	168	0
<b>7,797</b>	<b>9,249</b>		<b>Total</b>	<b>9,382</b>	<b>7,797</b>
		<b>2</b>	<b>Costs of environmentally-friendly electricity generation, etc.</b>		
(2,541)	(2,914)		Subsidies to wind turbines and other RE facilities	(2,914)	(2,541)
(1,161)	(1,579)		Subsidies to local CHP plants	(1,579)	(1,161)
(41)	(55)		Grid connection	(55)	(41)
(24)	(27)		Grid losses in offshore grid	(27)	(24)
(129)	(128)		Research and development of environmentally-friendly electricity generation	(128)	(129)
(24)	(25)		Research and development of efficient energy use	(25)	(24)
(364)	(364)		Depreciation of minimum production capacity	(364)	(364)
(61)	(56)		Other PSO costs	(56)	(61)
(61)	(76)		Financial expenses	(76)	(61)
<b>(4,406)</b>	<b>(5,224)</b>		<b>Total</b>	<b>(5,224)</b>	<b>(4,406)</b>
		<b>3</b>	<b>Other external expenses</b>		
			For an additional specification of other external expenses, please see the segment financial statements on pages 61-66.		
			<b>Auditing fees are included in the item 'Other external expenses' with the following amount:</b>		
			<b>Auditing of consolidated financial statements and Annual Report:</b>		
(1)	(2)		PricewaterhouseCoopers	(2)	(1)
			<b>Other services</b>		
(7)	(6)		PricewaterhouseCoopers	(6)	(7)
<b>(8)</b>	<b>(8)</b>		<b>Total</b>	<b>(8)</b>	<b>(8)</b>

Rigsrevisionen does not charge a fee for its auditing activities.

# Notes

Parent				Group	
2006	2007	Note	Amounts in DKK million	2007	2006
		4	<b>Staff costs</b>		
(184)	(202)		Wages and salaries	(253)	(221)
(18)	(20)		Pensions	(26)	(25)
(2)	(2)		Other social security costs	(2)	(2)
(1)	(2)		Supervisory Board remuneration	(2)	(1)
(3)	(3)		Executive Board remuneration	(3)	(3)
(208)	(229)		<b>Total</b>	<b>(286)</b>	<b>(252)</b>
The Supervisory Board receives a fixed remuneration. For 2007, the remuneration amounted to DKK 400,000 for the chairman and DKK 125,000 for the other members.					
The Executive Board receives a fixed salary and performance-related pay, the size of which depends on individual targets being achieved. For 2007, the remuneration amounted to DKK 2.9 million, which was distributed as follows:					
			President and CEO	Fixed salary 2.7	Performance-related pay 0.2
370	389		Average number of employees	483	450
390	390		Number of employees, end of year	481	467
		5	<b>Depreciation, amortisation and impairment of property, plant and equipment as well as intangible assets</b>		
0	0		Goodwill	(7)	0
(386)	(413)		Rights	(413)	(388)
364	389		of which recognised under 'Costs of environmentally-friendly electricity generation, etc.'	389	364
0	(10)		Software	(10)	0
(2)	(1)		Land and buildings	(1)	(2)
(543)	(458)		Technical plant and machinery	(525)	(543)
17	27		of which recognised under 'Costs of environmentally-friendly electricity generation, etc.'	27	17
(16)	(47)		Other plant, tools and operating equipment	(53)	(19)
(566)	(513)		<b>Total</b>	<b>(593)</b>	<b>(571)</b>
		6	<b>Financial income</b>		
89	28		Interest on bank deposits, etc.	30	89
23	62		Foreign exchange gains and fair value adjustments etc.	62	23
112	90		<b>Total</b>	<b>92</b>	<b>112</b>
		7	<b>Financial expenses</b>		
0	(3)		Interest on balances with subsidiaries	0	0
(258)	(295)		Interest on loans, bank debt, etc.	(344)	(258)
(8)	(20)		Foreign exchange losses and fair value adjustments etc.	(20)	(8)
(266)	(318)		<b>Total</b>	<b>(364)</b>	<b>(266)</b>

Financial expenses totalled DKK 467 million for the Group. Of this, DKK 27 million was capitalised as financial expenses under 'Property, plant and equipment', while DKK 76 million was recognised under 'Costs of environmentally-friendly electricity generation, etc.'

## Notes

Parent		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		<b>8</b>	<b>Tax on net profit or loss for the year</b>		
107	(123)		Calculated tax on net profit or loss for the year	(141)	106
o	(40)		Adjustment in respect of previous years	(40)	o
(1)	52		Tax in subsidiaries	o	o
(3)	(2)		Tax in associates	(2)	(3)
o	168		Adjustment due to tax rate reduction	238	o
<b>103</b>	<b>55</b>		<b>Total</b>	<b>55</b>	<b>103</b>
			<b>Tax rate adjustment</b>		
28%	25%		Corporation tax rate	25%	28%
10%	5%		Tax effect of non-taxable income and non-deductible expenses	5%	10%
o%	(32%)		Adjustment due to tax rate reduction	(32%)	o%
o%	(8%)		Adjustment of tax in previous years	(8%)	o%
<b>38%</b>	<b>(10%)</b>		<b>Effective tax rate for the year</b>	<b>(10%)</b>	<b>38%</b>
<b>90</b>	<b>o</b>		<b>Tax paid during the year</b>	<b>o</b>	<b>90</b>

Note	Amounts in DKK million			
<b>9</b>	<b>Intangible assets</b>			
	<b>Parent</b>			
		Software in progress	Software	Rights
				Total intangible assets
	<b>Acquisition cost at 1 January</b>	<b>92</b>	<b>o</b>	<b>3,873</b>
	Reclassification, 1 January	17	o	284
	Transfer	(143)	143	o
	Additions during the year	95	o	124
	Disposals during the year	o	o	o
	<b>Acquisition cost at 31 December</b>	<b>61</b>	<b>143</b>	<b>4,281</b>
	<b>Amortisation and impairment at 1 January</b>	<b>o</b>	<b>o</b>	<b>(2,543)</b>
	Amortisation and impairment for the year	o	(10)	(413)
	Reversed amortisation in respect of disposals during the year	o	o	o
	<b>Amortisation and impairment at 31 December</b>	<b>o</b>	<b>(10)</b>	<b>(2,956)</b>
	<b>Carrying amount at 31 December</b>	<b>61</b>	<b>133</b>	<b>1,325</b>
	Carrying amount at 31 December 2006 (ctd.)	92	o	1,615
				1,707

## Notes

Note Amounts in DKK million

### 9 Intangible assets (ctd.)

#### Group

	Goodwill	Software in progress	Software	Rights	Total intangible assets
<b>Acquisition cost at 1 January</b>	<b>0</b>	<b>92</b>	<b>0</b>	<b>3,893</b>	<b>3,985</b>
Reclassification, 1 January	0	17	0	284	301
Transfer	0	(143)	143	0	0
Additions related to acquisitions	245	0	0	0	245
Additions during the year	0	95	0	124	219
Disposals during the year	0	0	0	0	0
<b>Acquisition cost at 31 December</b>	<b>245</b>	<b>61</b>	<b>143</b>	<b>4,301</b>	<b>4,750</b>
<b>Amortisation and impairment at 1 January</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,552)</b>	<b>(2,552)</b>
Amortisation and impairment for the year	(7)	0	(10)	(413)	(430)
Reversed amortisation in respect of disposals during the year	0	0	0	0	0
<b>Amortisation and impairment at 31 December</b>	<b>(7)</b>	<b>0</b>	<b>(10)</b>	<b>(2,965)</b>	<b>(2,982)</b>
<b>Carrying amount at 31 December</b>	<b>238</b>	<b>61</b>	<b>133</b>	<b>1,336</b>	<b>1,768</b>
Carrying amount at 31 December 2006	0	92	0	1,626	1,718

Additions during the year relating to goodwill concern the acquisition of Energinet.dk Gaslager A/S (Lille Torup). Goodwill is amortised over 20 years. Amortisation is provided on a straight-line basis over the period (up to a maximum of 20 years) in which Energinet.dk has the possibility of commercially operating the business segment for gas storage activities.

Reclassification has been performed in respect of book values at 1 January 2007 under 'Software in progress' and 'Rights' with DKK 17 and 284 million, respectively. The DKK 17 million has been reclassified from 'Assets in the course of construction and prepayments for property, plant and equipment'. In the 2006 Annual Report, the DKK 284 million was included in the item 'Prepayments'.

## Notes

Note Amounts in DKK million

### 10 Property, plant and equipment

#### Parent

	Land and buildings	Technical plant	Cushion gas	Other plant, tools and operating equipment	Assets in the course of construction and prepayments on property, plant and equipment	Total property, plant and equipment
<b>Acquisition cost at 1 January</b>	<b>146</b>	<b>15,579</b>	<b>0</b>	<b>186</b>	<b>236</b>	<b>16,147</b>
Reclassification, 1 January	21	(77)	105	45	(17)	77
Transfer	274	69	0	142	(485)	0
Transferred to assets intended for sale	(49)	0	0	0	0	(49)
Additions during the year	0	661	0	2	820	1,483
Disposals during the year	0	0	0	(5)	0	(5)
<b>Acquisition cost at 31 December</b>	<b>392</b>	<b>16,232</b>	<b>105</b>	<b>370</b>	<b>554</b>	<b>17,653</b>
<b>Depreciation and impairment at 1 January</b>	<b>(36)</b>	<b>(6,030)</b>	<b>0</b>	<b>(135)</b>	<b>0</b>	<b>(6,201)</b>
Reclassification, 1 January	(16)	48	0	(21)	0	11
Transferred to assets intended for sale	13	0	0	0	0	13
Depreciation and impairment for the year	(1)	(458)	0	(47)	0	(506)
Reversed depreciation in respect of disposals during the year	0	0	0	4	0	4
<b>Depreciation and impairment at 31 December</b>	<b>(40)</b>	<b>(6,440)</b>	<b>0</b>	<b>(199)</b>	<b>0</b>	<b>(6,679)</b>
<b>Carrying amount at 31 December</b>	<b>352</b>	<b>9,792</b>	<b>105</b>	<b>171</b>	<b>554</b>	<b>10,974</b>
Carrying amount at 31 December 2006	110	9,549	105	51	236	10,051

Public land assessments are only available for some of the land and buildings owned by Energinet.dk as some of them are exempt from assessment. The latest public land assessment amounted to DKK 304 million.

(ctd.)

## Notes

Note Amounts in DKK million

### 10 Property, plant and equipment (ctd.)

#### Group

	Land and buildings	Technical plant	Cushion gas	Other plant, tools and operating equipment	Assets in the course of construction and prepayments on property, plant and equipment	Total property, plant and equipment
<b>Acquisition cost at 1 January</b>	<b>146</b>	<b>15,579</b>	<b>0</b>	<b>235</b>	<b>236</b>	<b>16,196</b>
Reclassification, 1 January	21	(77)	105	45	(17)	77
Transfer	274	69	0	142	(485)	0
Transferred to assets intended for sale	(49)	0	0	0	0	(49)
Additions related to acquisitions	2	2,109	274	0	0	2,385
Additions during the year	0	661	0	11	820	1,492
Disposals during the year	0	(1)	0	(7)	0	(8)
<b>Acquisition cost at 31 December</b>	<b>394</b>	<b>18,340</b>	<b>379</b>	<b>426</b>	<b>554</b>	<b>20,093</b>
<b>Depreciation and impairment at 1 January</b>	<b>(36)</b>	<b>(6,030)</b>	<b>0</b>	<b>(175)</b>	<b>0</b>	<b>(6,241)</b>
Reclassification, 1 January	(16)	48	0	(21)	0	11
Transferred to assets intended for sale	13	0	0	0	0	13
Depreciation and impairment for the year	(1)	(525)	0	(53)	0	(579)
Reversed depreciation in respect of disposals during the year	0	0	0	6	0	6
<b>Depreciation and impairment at 31 December</b>	<b>(40)</b>	<b>(6,507)</b>	<b>0</b>	<b>(243)</b>	<b>0</b>	<b>(6,790)</b>
<b>Carrying amount at 31 December</b>	<b>354</b>	<b>11,833</b>	<b>379</b>	<b>183</b>	<b>554</b>	<b>13,303</b>
Carrying amount at 31 December 2006	110	9,549	105	60	237	10,061

Public land assessments are only available for some of the land and buildings owned by Energinet.dk as some of them are exempt from assessment. The latest public land assessment amounted to DKK 317 million.

A number of reclassifications of book values have been performed at 1 January 2007. Additions relating to 'Land and buildings' at the amount of DKK 5 million have been transferred from 'Technical plant'. Net disposals relating to 'Technical plant' at the amount of DKK 29 million have been transferred to 'Land and buildings' and 'Other plant, tools and operating equipment' with DKK 5 million and DKK 24 million, respectively. In the 2006 Annual Report, additions under 'Cushion gas' amounting to DKK 105 million were entered under 'Inventories'. Disposals relating to 'Other plant, tools and operating equipment' at the amount of DKK 17 million have been transferred to 'Software in progress'.

# Notes

Note Amounts in DKK million

## 11 Investments

Parent	Equity investments in subsidiaries	Equity investments in associates	Other equity investments	Total investments
<b>Acquisition cost at 1 January</b>	<b>29</b>	<b>58</b>	<b>1</b>	<b>88</b>
Additions during the year	500	5	0	505
<b>Acquisition cost at 31 December</b>	<b>529</b>	<b>63</b>	<b>1</b>	<b>593</b>
<b>Value adjustments at 1 January</b>	<b>9</b>	<b>(11)</b>	<b>0</b>	<b>(2)</b>
Net profit for the year	69	6	0	75
Equity adjustments	(1)	0	0	(1)
Dividend received	0	(5)	0	(5)
Foreign currency translation adjustments in respect of foreign entities	0	1	0	1
Amortisation of goodwill	0	(7)	0	(7)
<b>Value adjustments at 31 December</b>	<b>77</b>	<b>(16)</b>	<b>0</b>	<b>61</b>
<b>Carrying amount at 31 December</b>	<b>606</b>	<b>47</b>	<b>1</b>	<b>654</b>
Carrying amount at 31 December 2006	38	47	1	86
<b>Group</b>		Equity investments in associates	Other equity investments	Total investments
<b>Acquisition cost at 1 January</b>		<b>58</b>	<b>1</b>	<b>59</b>
Additions during the year		5	0	5
<b>Acquisition cost at 31 December</b>		<b>63</b>	<b>1</b>	<b>64</b>
<b>Value adjustments at 1 January</b>		<b>(11)</b>	<b>0</b>	<b>(11)</b>
Net profit for the year		6	0	6
Dividend received		(5)	0	(5)
Foreign currency translation adjustments in respect of foreign entities		1	0	1
Amortisation of goodwill		(7)	0	(7)
<b>Value adjustments at 31 December</b>		<b>(16)</b>	<b>0</b>	<b>(16)</b>
<b>Carrying amount at 31 December</b>		<b>47</b>	<b>1</b>	<b>48</b>
Carrying amount at 31 December 2006		47	1	48
(ctd.)				

## Notes

Note Amounts in DKK million

### 11 Investments (ctd.)

#### Equity investments in subsidiaries

#### Share of equity value

Name	Domicile	Ownership	Share capital	Parent 2007	Group 2007
Eltransmission.dk A/S	Fredericia	100%	1	15	-
Gastransmission.dk A/S	Fredericia	100%	1	15	-
Fibertransmission.dk A/S	Fredericia	100%	0.5	14	-
Energinet.dk Gaslager Holding A/S	Fredericia	100%	50	561	-
Energinet.dk Gaslager A/S	Fredericia	100%	50	1,619	-

#### Equity investments in associates

#### Share of equity value

Name	Domicile	Ownership	Share capital	Parent 2007	Group 2007
Nord Pool Spot AS	Norway Oslo	20%	NOK 141	28	28
Nord Pool Gas A/S	Fredericia	50%	DKK 10	5	5
Goodwill at 31 December 2007				14	14
<b>Total</b>				<b>47</b>	<b>47</b>

There are no significant intercompany profits or losses from trading with associates at 31 December 2007.

Associates are recognised and measured as independent entities.

#### Other equity investments

#### Share of equity value

Name	Domicile	Ownership	Share capital	Parent 2007	Group 2007
Dansk Gasteknisk Center A/S	Hørsholm	17.4%	7	1	1
<b>Total</b>				<b>1</b>	<b>1</b>

## Notes

Parent		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		12	<b>Other receivables</b>		
903	493		Accumulated deficit, PSO segment	493	903
405	339		Market value of financial instruments	339	405
268	512		Energy settlement	512	268
110	0		Congestion rents	0	110
168	101		Other receivables	101	168
<b>1,854</b>	<b>1,445</b>		<b>Total</b>	<b>1,445</b>	<b>1,854</b>
		13	<b>Prepayments</b>		
33	25		Right of use of the German part of the Kontek Link	25	33
0	2		Other prepayments	2	0
<b>33</b>	<b>27</b>		<b>Total</b>	<b>27</b>	<b>33</b>
			<b>Expected maturity of prepayments</b>		
8	10		Less than 1 year	10	8
25	17		1-5 years	17	25
0	0		More than 5 years	0	0
33	27		Total	27	33
		14	<b>Assets intended for sale</b>		
0	36		Property, plant and equipment	36	0
<b>0</b>	<b>36</b>		<b>Total</b>	<b>36</b>	<b>0</b>

Assets intended for sale include Energinet.dk's previous head office in Skærbæk, Fredericia. The property was sold at 1 February 2008.

## Notes

Parent		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		15	<b>Deferred tax liabilities</b>		
1,688	1,517		Deferred tax at 1 January	1,521	1,692
7	47		Adjustment in respect of previous years	47	7
0	0		Acquisitions	648	0
(177)	123		Change in deferred tax concerning net profit or loss for the year	109	(177)
(1)	1		Change in hedging instruments	1	(1)
0	(168)		Change resulting from reduction in corporation tax rate	(238)	0
<b>1,517</b>	<b>1,520</b>		<b>Deferred tax at 31 December</b>	<b>2,088</b>	<b>1,521</b>
			<b>Deferred tax concerns</b>		
374	285		Intangible assets	287	398
1,737	1,970		Property, plant and equipment	2,545	1,811
(228)	(199)		Current assets	(196)	(227)
(368)	(460)		Liabilities other than provisions	(472)	(378)
(4)	(76)		Tax loss carryforward	(76)	(69)
6	0		Other	0	(14)
<b>1,517</b>	<b>1,520</b>		<b>Deferred tax at 31 December</b>	<b>2,088</b>	<b>1,521</b>

Tax loss carryforward concerns the electricity activities and can be deducted from any future profit on the electricity activities. The loss is expected to be used within a short period of time.

# Notes

Parent		Note	Amounts in DKK million	Group		
2006	2007			2007	2006	
		16	<b>Provisions</b>			
				Nature restoration liabilities	Other provisions	
31	20		Provisions at 1 January	0	20	31
0	0		Additions relating to acquisition of subsidiaries	46	0	0
0	776		Other provisions for the year	759	17	0
0	57		Change in present value	59	0	0
(10)	(7)		Other provisions consumed for the year	0	(7)	(10)
(1)	(1)		Provisions reversed during the year	0	(1)	(1)
<b>20</b>	<b>845</b>		<b>Provisions at 31 December</b>	<b>864</b>	<b>29</b>	<b>20</b>
			<b>Expected maturity of provisions</b>			
8	18		Less than 1 year		18	8
5	5		1-5 years		5	5
7	822		More than 5 years		870	7
<b>20</b>	<b>845</b>		<b>I alt</b>		<b>893</b>	<b>20</b>

Nature restoration liabilities concern the dismantling and removal of towers, overhead lines, natural gas facilities, etc. as well as the restoration of properties owned by third parties. The uncertainties are chiefly related to the time at which the payments related are to be effected. The main part of these liabilities is expected to be realised in connection with the removal of the natural gas transmission grid.

In connection with the determination of the nature restoration liabilities, Energinet.dk calculated the costs of dismantling and removing the non-current assets concerned on a components basis. The cost per component was subsequently multiplied by the total number of units or routes of the same kind. The cost per component was calculated on the basis of 2007 prices and projected with an inflation rate until the year when the non-current asset in question is expected to be dismantled and removed. The inflation rate was calculated as the average inflation in Denmark for the period 1995-2007. The present value of the nature restoration liabilities is capitalised with a rate of interest which is at the level of that of a 10-year government bond. Assumptions and estimates made with regard to the calculation of the restoration liabilities are reassessed once a year when the annual report is prepared.

Other provisions essentially concern services in connection with the maintenance of optical fibres and claims for damages in respect of plant commissioned.

## Notes

Parent					Group					
2006	2007	Note	Amounts in DKK million		2007	2006				
		17	Long-term liabilities other than provisions							
4,575	4,338		Long-term loans		5,732	4,575				
Primary financial instruments										
			Lender/type	Principal	Currency	Interest rate	Expiry	Carrying amount in DKK million	Carrying amount incl. swaps in DKK million	
			Nationalbanken	1,000	DKK	7	2024	1,273	944	
			Nationalbanken	370	DKK	5	2013	396	396	
			Nationalbanken	490	DKK	4	2017	501	501	
			Nationalbanken	500	DKK	6	2009	516	516	
			NIB	83	DKK	Variable	2008	83	82	
			Sumito Life	2,000	JPY	1.17	2008	90	136	
			Meiji	2,000	JPY	1.02	2009	90	136	
			NIB	83	DKK	Variable	2011	83	83	
			DePfa	500	DKK	Variable	2011	500	500	
			EIB loan	55	USD	Variable	2008	277	464	
			EIB loan	95	USD	Variable	2012	484	812	
			NGS	9	USD	Variable	2008	46	82	
			NSJ	24	DKK	6	2008	2	2	
			NGS	4	USD	Variable	2008	19	24	
			RD	503	DKK	4.21	2036	495	495	
			Total, Parent					4,855	5,173	
			DePfa		1,500	DKK	Variable	2027	1,463	1,465
			Nykredit		258	DKK	Index	2009	19	19
			Total, Group					6,337	6,657	

The debt to Gældsafviklingsselskabet Naturgasselskabet i Sydjyske Regioner I/S (NGS) and Gældsafviklingsselskabet Naturgas Sjælland I/S (NSJ) has been taken over by Energinet.dk (formerly Gastra A/S) in connection with the demerger of gas transmission installations to Gastra A/S on 1 January 2003.

The debt portfolio totals DKK 6,657 million. Of this, DKK 878 million falls due in 2008. The amount is stated as short-term liabilities other than provisions under 'Current maturities of long-term liabilities other than provisions' with DKK 605 million. The remaining amount concerns the value of swaps stated under 'Receivables' and 'Other payables', respectively. All currency loans have been converted into DKK via currency swaps. The total outstanding debt on loans is DKK 6,337 million.

(ctd.)

## Notes

Parent		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		17	<b>Long-term liabilities other than provisions (ctd.)</b>		
			<b>Following conversion into DKK, the aggregate principal falls due in:</b>		
394	790		Less than 1 year	878	394
1,047	2,047		1-5 years	2,355	1,047
3,670	2,336		More than 5 years	3,424	3,670
<b>5,111</b>	<b>5,173</b>		<b>Total</b>	<b>6,657</b>	<b>5,111</b>
			<b>Maturities of loans and associated swaps</b>		
			<b>Other receivables</b>	<b>Other payables</b>	<b>Loans</b>
			Less than 1 year	(10)	283
			1-5 years	0	376
			More than 5 years	(329)	0
			<b>Total</b>	<b>(339)</b>	<b>659</b>
				<b>6,337</b>	<b>6,657</b>
			DKK 605 million has been recognised under 'Current maturities of long-term liabilities other than provisions'. The amount relates to loans.		
		18	<b>Deferred income</b>		
592	617		Congestion rents	617	592
440	330		Prepayments relating to the Kontek Link	330	440
0	4		Other deferred income	6	0
<b>1,032</b>	<b>951</b>		<b>Total</b>	<b>953</b>	<b>1,032</b>
			<b>Expected maturity of deferred income</b>		
110	110		Less than 1 year	110	110
352	224		1-5 years	226	352
570	617		More than 5 years	617	570
<b>1,032</b>	<b>951</b>		<b>Total</b>	<b>953</b>	<b>1,032</b>
			Prepayments in respect of the Kontek Link are recognised in the income statement over a period of ten years with DKK 110 million annually.		
		19	<b>Corporation tax</b>		
19	1		Corporation tax payable at 1 January	2	21
70	31		Current tax for the year	31	71
(90)	0		Corporation tax paid/received for the year	0	(90)
2	(4)		Correction in respect of previous years	(5)	0
<b>1</b>	<b>28</b>		<b>Total</b>	<b>28</b>	<b>2</b>

## Notes

Parent		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		20	<b>Other payables</b>		
286	300		PSO R&D funding granted	300	286
57	55		Pay-related items	56	57
566	659		Market value of financial instruments	659	566
37	61		Interest payable	73	37
584	282		Energy settlement	282	584
165	371		Other payables	394	165
<b>1,695</b>	<b>1,728</b>		<b>Total</b>	<b>1,764</b>	<b>1,695</b>

### 21 Provision of security and charges

Land, buildings and plant incident to gas activities have been provided as security for mortgage debt amounting to DKK 503 million, the carrying amount of which constituted DKK 4,334 million at the end of the year.

### 22 Group 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 Company's loan portfolio in foreign currencies. Reference is made to the section concerning risk management in 'Financial review'. In addition, interest rate swap agreements have been concluded with a view to handling the interest rate risk on the loan portfolio.

(ctd.)

## Notes

Note Amounts in DKK million

### 22 Group derivative financial instruments (ctd.)

Currency risks on loans	Currency loans	SWAP deposits in currencies	Loans in DKK	SWAP deposits in DKK	SWAP loans in DKK	Market value	Expiry
USD	(95)	95	(484)	484	(812)	(328)	2012
USD	(55)	55	(277)	277	(464)	(187)	2008
USD	(9)	9	(46)	46	(82)	(36)	2008
USD	(4)	4	(19)	19	(24)	(5)	2008
JPY	(2,000)	2,000	(90)	90	(136)	(46)	2009
JPY	(2,000)	2,000	(90)	90	(136)	(46)	2008
SEK	(1,429)	1,450	(1,128)	1,142	(1,142)	14	2008
<b>Total, Group</b>	<b>(5,592)</b>	<b>5,613</b>	<b>(2,134)</b>	<b>2,148</b>	<b>(2,796)</b>	<b>(634)</b>	

The net market value of currency swap agreements is DKK 634 million net, with DKK 648 million being stated under 'Other payables' and DKK 14 million being stated under 'Other receivables'. Results-wise, market value adjustments of currency swap agreements are equal to corresponding value adjustments of the hedged loans.

Currency risks in connection with contracts and raw materials	Contract (in tons)	Contract in DKK	Date of maturity	Contract in DKK	Value in DKK at maturity	Market value	Expiry
USD		(28)	28	(1)	1	0	2008
JPY		(4)	4	(18)	20	2	2008
Copper	(216)		216	(7)	8	0	2008
Lead	(195)		195	(3)	2	0	2008
<b>Total, Group</b>				<b>(29)</b>	<b>31</b>	<b>2</b>	

In addition, raw material contracts with a negative net market value of DKK 0.3 million have been concluded for lead and copper. Furthermore, forward exchange transactions to hedge currency risks in contracts have been performed. The market value amounts to DKK 1.6 million and is included under 'Other reserves' in equity.

Interest rate risks on loans	Nominal	Market value	Expiry
Floating to fixed	(637)	1	2012
Floating to fixed	(83)	0	2008
Floating to fixed	(1,463)	(2)	2010
Fixed to inflation	(1,000)	329	2024
<b>Total, Group</b>	<b>(3,183)</b>	<b>328</b>	

The market value of currency swap agreements is DKK 328 million, with DKK 2 million being stated under 'Other payables' and DKK 330 million being stated under 'Other receivables'.

## Notes

Note Amounts in DKK million

### 23 Acquisitions

In the period, the Group has acquired the following enterprises:

Name	Activity	Date of acquisition	Share acquired (%)	Voting share acquired (%)	Cost
Energinet.dk Gaslager A/S	Operation and maintenance of activities related to the operation of the gas storage facility	1 May 2007	100%	100%	1,523
			Carrying amount	Adjusted at fair value	Fair value
Land and buildings			2	0	2
Technical plant and machinery			1,233	876	2,109
Cushion gas			107	167	274
Inventories			0	9	9
Trade receivables			1	0	1
Other receivables			2	0	2
Cash and cash equivalents			13	0	13
Deferred tax liabilities			(353)	(295)	(648)
Provisions			(46)	0	(46)
Mortgage debt			(31)	0	(31)
Short-term borrowing facilities			(403)	0	(403)
Accounts payable			(2)	0	(2)
Other payables			(2)	0	(2)
			<b>521</b>	<b>757</b>	<b>1,278</b>
Goodwill determined					245
<b>Cost paid in cash</b>					<b>1,523</b>
Cash taken over					13
<b>Cash flow effect, net</b>					<b>1,510</b>

The costs include expenses totalling DKK 26 million, which is attributable to the acquisition.

# Notes

Note

## 24 Contingent liabilities and other financial liabilities

Energinet.dk may be obliged to additionally pay up to DKK 1,200 million in 2035 (in 2030 prices) for the acquisition of the subsidiary Energinet.dk Gaslager A/S. The amount must be paid if the company's earning potential changes in relation to the legislation applicable at the time of acquisition.

Energinet.dk has several tax cases pending a decision by the Danish National Tax Tribunal, the most important of which concern the tax values of transit agreements and ancillary services agreements. In Energinet.dk's opinion, the Tax Tribunal will find in favour of Energinet.dk, and this is reflected in the Annual Report. In the event that Energinet.dk loses the pending tax cases, deferred tax will increase by approx. DKK 250-300 million.

Energinet.dk has taken over agreements with Statnett under which Energinet.dk is to pay NOK 11 million annually over the next 16 years for the use of the Skagerrak cables. Statnett has committed itself to maintaining the interconnections to Norway in the same period. In addition, Energinet.dk must pay half of the actual cable operating costs. The agreements can be terminated by either party giving five years' notice.

Energinet.dk pays rent on the lease Lautruphøj 7, Ballerup, Denmark. At 31 December 2007 this liability amounted to DKK 19 million.

Vattenfall Europe Transmission GmbH and Vattenfall Trading Services GmbH have issued proceedings against Energi E2 A/S, which supplied electricity under the Kontek agreement until July 2006. The two parties want Energi E2 A/S to repay capacity payments and to pay compensation in respect of failed electricity supplies due to disconnection of and congestion in the cable. Energinet.dk owns the Kontek Link and has therefore become involved in the case.

## 25 Related parties

**Basis**

The Danish Ministry of Climate and Energy  
Stormgade 2-6, DK-1470 Copenhagen K

100% ownership

Supervisory Board and Executive Board

Control of management

As regards the Energinet.dk Group's transactions with members of the Supervisory and Executive Boards, reference is made to Note 4 in the Annual Report.

The Energinet.dk Group did not engage in other material transactions with related parties in 2007.



## Segment financial statements 2007

Amounts in DKK million	PSO West	PSO East	System West	System East	Grid West	Grid East	Gas trans- mission	Gas storage facility	Total 2007	Total 2006
Tariff revenue	2,746	1,573	807	497	362	337	765	168	7,255	4,146
Sale of electricity from wind turbines and other RE facilities	769	153							922	1,283
Sale of electricity from local CHP plants	295	98							393	760
Congestion rents from interconnections					609	288			897	296
Balance market			204	40			29		273	272
Excess revenue/deficit	(300)	(110)							(410)	963
Other income			3	2	9	6	32		52	77
<b>Gross revenue</b>	<b>3,510</b>	<b>1,714</b>	<b>1,014</b>	<b>539</b>	<b>980</b>	<b>631</b>	<b>826</b>	<b>168</b>	<b>9,382</b>	<b>7,797</b>
Subsidies to wind turbines and other RE facilities	(1,933)	(981)							(2,914)	(2,541)
Subsidies to local CHP plants	(1,171)	(408)							(1,579)	(1,161)
Grid connection of wind turbines and local CPH plants	(2)	0							(2)	(9)
Grid connection of offshore wind turbines	(27)	(26)							(53)	(32)
Grid losses in offshore grid	(23)	(4)							(27)	(24)
R&D into environmentally-friendly electricity generation	(77)	(51)							(128)	(129)
R&D into efficient energy use	(15)	(10)							(25)	(24)
Environmental studies concerning offshore wind turbines	0	0							0	(1)
Danish Safety Technology Authority	(31)	(21)							(52)	(51)
Amortisation of intangible assets (minimum production capacity)	(192)	(172)							(364)	(364)
Other PSO costs	(3)	(1)							(4)	(9)
Net financials	(36)	(40)							(76)	(61)
<b>Total costs of environmentally-friendly electricity generation, etc.</b>	<b>(3,510)</b>	<b>(1,714)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,224)</b>	<b>(4,406)</b>
<b>Revenue</b>	<b>0</b>	<b>0</b>	<b>1,014</b>	<b>539</b>	<b>980</b>	<b>631</b>	<b>826</b>	<b>168</b>	<b>4,158</b>	<b>3,391</b>
Work performed for own account and capitalised			20	14	28	14	27	0	103	50
Other operating income					4				4	4
<b>Total revenue</b>	<b>0</b>	<b>0</b>	<b>1,034</b>	<b>553</b>	<b>1,012</b>	<b>645</b>	<b>853</b>	<b>168</b>	<b>4,265</b>	<b>3,445</b>
Grid losses					(141)	(96)			(237)	(295)
Special regulation and countertrade					(1)				(1)	(4)
Regulating power			(190)	(6)					(196)	(228)
Payment for the 132/150 kV grid					(237)	(397)			(634)	(574)
Payment for reserves/storage capacity			(503)	(318)			(216)		(1,037)	(1,104)
Costs of using foreign grids					(24)	(23)			(47)	(178)
Inspections by the Danish Energy Regulatory Authority and the Danish Energy Authority			(16)	(11)			(9)		(36)	(40)
Other external operating expenses			(51)	(34)	(118)	(65)	(95)	(33)	(396)	(323)
<b>Total other external expenses</b>	<b>0</b>	<b>0</b>	<b>(760)</b>	<b>(369)</b>	<b>(521)</b>	<b>(581)</b>	<b>(320)</b>	<b>(33)</b>	<b>(2,584)</b>	<b>(2,746)</b>
(ctd.)										

## Segment financial statements 2007

Amounts in DKK million	PSO West	PSO East	System West	System East	Grid West	Grid East	Gas trans- mission	Gas storage facility	Total 2007	Total 2006
Staff costs			(55)	(42)	(72)	(40)	(72)	(5)	(286)	(252)
Total expenses/costs	0	0	(815)	(411)	(593)	(621)	(392)	(38)	(2,870)	(2,998)
<b>Results before depreciation, amortisation and impairment</b>	<b>0</b>	<b>0</b>	<b>219</b>	<b>142</b>	<b>419</b>	<b>24</b>	<b>461</b>	<b>130</b>	<b>1,395</b>	<b>447</b>
Depreciation, amortisation and impairment of property, plant and equipment as well as intangible assets			(17)	(3)	(174)	(114)	(211)	(74)	(593)	(571)
<b>Operating profit or loss</b>	<b>0</b>	<b>0</b>	<b>202</b>	<b>139</b>	<b>245</b>	<b>(90)</b>	<b>250</b>	<b>56</b>	<b>802</b>	<b>(124)</b>
Net financials			(13)	(12)	(52)	(16)	(116)	(62)	(271)	(149)
<b>Pre-tax profit or loss</b>	<b>0</b>	<b>0</b>	<b>189</b>	<b>127</b>	<b>193</b>	<b>(106)</b>	<b>134</b>	<b>(6)</b>	<b>531</b>	<b>(273)</b>
Tax on net profit or loss for the year			(49)	(33)	0	(1)	84	54	55	103
<b>Net profit or loss for the year</b>	<b>0</b>	<b>0</b>	<b>140</b>	<b>94</b>	<b>193</b>	<b>-107</b>	<b>218</b>	<b>48</b>	<b>586</b>	<b>-170</b>
<b>Excess revenue/deficit</b>										
Accumulated excess revenue/deficit, beginning of year	(537)	(366)	(46)	(60)	(121)	(26)	81	0	(1,075)	189
Adjustment of opening balance	0	0	(1)	20	(19)	32	26	0	58	54
Adjustment of consolidation	0	0	0	0	0	0	0	0	0	78
Changes for the year	300	110	189	127	132	(128)	239	0	969	(1,396)
<b>Accumulated excess revenue/deficit, end of year</b>	<b>(237)</b>	<b>(256)</b>	<b>142</b>	<b>87</b>	<b>(8)</b>	<b>(122)</b>	<b>346</b>	<b>0</b>	<b>(48)</b>	<b>(1,075)</b>

Excess revenue/deficit in respect of PSO segments is recognised in the balance sheet under 'Other payables'/'Other receivables'.

## Segment financial statements 2007

Amounts in DKK million	PSO West	PSO East	System West	System East	Grid West	Grid East	Gas trans- mission	Gas storage facility	Total 2007	Total 2006
<b>Assets</b>										
<b>Property, plant and equipment</b>										
Intangible assets	527	821	6	2	58	43	73	238	1,768	1,718
Property, plant and equipment	129	5	384	146	3,391	2,591	4,334	2,323	13,303	10,061
Investments	0	0	24	24	0	0	0	0	48	48
<b>Total non-current assets</b>	<b>656</b>	<b>826</b>	<b>414</b>	<b>172</b>	<b>3,449</b>	<b>2,634</b>	<b>4,407</b>	<b>2,561</b>	<b>15,119</b>	<b>11,827</b>
<b>Current assets</b>										
Inventories	0	0	0	0	4	4	109	12	129	50
Receivables	509	404	265	189	406	269	382	23	2,447	2,147
Securities	30	20	76	52	115	71	116	0	480	0
Cash and cash equivalents	42	28	105	73	160	98	162	30	698	62
<b>Total current assets</b>	<b>581</b>	<b>452</b>	<b>446</b>	<b>314</b>	<b>685</b>	<b>442</b>	<b>769</b>	<b>65</b>	<b>3,754</b>	<b>2,259</b>
<b>Total assets</b>	<b>1,237</b>	<b>1,278</b>	<b>860</b>	<b>486</b>	<b>4,134</b>	<b>3,076</b>	<b>5,176</b>	<b>2,626</b>	<b>18,873</b>	<b>14,086</b>
<b>Equity and liabilities</b>										
<b>Equity</b>	<b>0</b>	<b>0</b>	<b>76</b>	<b>47</b>	<b>2,260</b>	<b>1,154</b>	<b>628</b>	<b>48</b>	<b>4,213</b>	<b>3,627</b>
<b>Provisions</b>	<b>105</b>	<b>95</b>	<b>27</b>	<b>27</b>	<b>449</b>	<b>282</b>	<b>1,383</b>	<b>613</b>	<b>2,981</b>	<b>1,541</b>
<b>Liabilities other than provisions</b>										
Interest-bearing debt	556	724	518	237	736	719	2,823	1,912	8,225	6,075
Other liabilities other than provisions	576	459	239	175	689	921	342	53	3,454	2,843
<b>Total liabilities other than provisions</b>	<b>1,132</b>	<b>1,183</b>	<b>757</b>	<b>412</b>	<b>1,425</b>	<b>1,640</b>	<b>3,165</b>	<b>1,965</b>	<b>11,679</b>	<b>8,918</b>
<b>Total equity and liabilities</b>	<b>1,237</b>	<b>1,278</b>	<b>860</b>	<b>486</b>	<b>4,134</b>	<b>3,076</b>	<b>5,176</b>	<b>2,626</b>	<b>18,873</b>	<b>14,086</b>

## Segment financial statements 2006

Amounts in DKK million	PSO West	PSO East	System West	System East	Grid West	Grid East	Gas trans- mission	Gas storage facility	Total 2006	Total 2005
Tariff revenue	803	597	485	422	462	522	855		4,146	6,637
Sale of electricity from wind turbines and other RE facilities	1,046	237							1,283	1,145
Sale of electricity from local CHP plants	567	193							760	807
Congestion rents from interconnections					93	203			296	694
Balance market (net)			224	32			16		272	585
Excess revenue/deficit	639	324							963	(51)
Other revenue			2	1	7	7	60		77	118
<b>Gross revenue</b>	<b>3,055</b>	<b>1,351</b>	<b>711</b>	<b>455</b>	<b>562</b>	<b>732</b>	<b>931</b>	<b>0</b>	<b>7,797</b>	<b>9,935</b>
Subsidies to wind turbines and other RE facilities	(1,783)	(758)							(2,541)	(3,097)
Subsidies to local CHP plants	(896)	(265)							(1,161)	(1,720)
Grid connection of wind turbines and local CPH plants	(9)	0							(9)	(19)
Grid connection of offshore wind turbines	(17)	(15)							(32)	(32)
Grid losses in offshore grid	(21)	(3)							(24)	(25)
R&D into environmentally-friendly electricity generation	(76)	(53)							(129)	(128)
R&D into efficient energy use	(14)	(10)							(24)	(25)
Environmental studies concerning offshore wind turbines	4	(5)							(1)	(19)
Danish Safety Technology Authority	(30)	(21)							(51)	(49)
Amortisation of intangible assets (minimum production capacity)	(192)	(172)							(364)	(364)
Other PSO costs	(7)	(2)							(9)	(10)
Net financials	(14)	(47)							(61)	(61)
<b>Total costs of environmentally-friendly electricity generation, etc,</b>	<b>(3,055)</b>	<b>(1,351)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,406)</b>	<b>(5,549)</b>
<b>Revenue</b>	<b>0</b>	<b>0</b>	<b>711</b>	<b>455</b>	<b>562</b>	<b>732</b>	<b>931</b>	<b>0</b>	<b>3,391</b>	<b>4,386</b>
Work performed for own account and capitalised			5	4	17	8	16		50	35
Other operating income					4				4	4
<b>Total revenue</b>	<b>0</b>	<b>0</b>	<b>716</b>	<b>459</b>	<b>583</b>	<b>740</b>	<b>947</b>	<b>0</b>	<b>3,445</b>	<b>4,425</b>
Grid losses					(184)	(111)			(295)	(263)
Special regulation and countertrade					(4)				(4)	(15)
Regulating power			(196)	(32)					(228)	(535)
Payment for the 132/150 kV grid					(206)	(368)			(574)	(558)
Payment for reserves/storage capacity			(474)	(382)			(248)		(1,104)	(978)
Costs of using foreign grids					(56)	(122)			(178)	(64)
Inspections by the Danish Energy Regulatory Authority and the Danish Energy Authority			(20)	(14)			(6)		(40)	(39)
Other external operating expenses			(38)	(25)	(105)	(66)	(89)		(323)	(354)
<b>Total other external expenses</b>	<b>0</b>	<b>0</b>	<b>(728)</b>	<b>(453)</b>	<b>(555)</b>	<b>(667)</b>	<b>(343)</b>	<b>0</b>	<b>(2,746)</b>	<b>(2,806)</b>

## Segment financial statements 2006

Amounts in DKK million	PSO West	PSO East	System West	System East	Grid West	Grid East	Gas trans- mission	Gas storage facility	Total 2006	Total 2005
Staff costs			(50)	(36)	(65)	(35)	(66)		(252)	(269)
Total expenses/costs	o	o	(778)	(489)	(620)	(702)	(409)		(2,998)	(3,075)
<b>Results before depreciation, amortisation and impairment</b>	<b>o</b>	<b>o</b>	<b>(62)</b>	<b>(30)</b>	<b>(37)</b>	<b>38</b>	<b>538</b>	<b>o</b>	<b>447</b>	<b>1,350</b>
Depreciation, amortisation and impairment of property, plant and equipment as well as intangible assets			(15)	(3)	(152)	(92)	(309)		(571)	(626)
<b>Operating profit or loss</b>	<b>o</b>	<b>o</b>	<b>(77)</b>	<b>(33)</b>	<b>(189)</b>	<b>(54)</b>	<b>229</b>	<b>o</b>	<b>(124)</b>	<b>724</b>
Net financials			(1)	(7)	(31)	(11)	(99)		(149)	(131)
<b>Pre-tax profit or loss</b>	<b>o</b>	<b>o</b>	<b>(78)</b>	<b>(40)</b>	<b>(220)</b>	<b>(65)</b>	<b>130</b>	<b>o</b>	<b>(273)</b>	<b>593</b>
Tax on net profit or loss for the year			21	9	78	35	(40)		103	(38)
<b>Net profit or loss for the year</b>	<b>o</b>	<b>o</b>	<b>(57)</b>	<b>(31)</b>	<b>(142)</b>	<b>(30)</b>	<b>90</b>	<b>o</b>	<b>(170)</b>	<b>555</b>
<b>Excess revenue/deficit</b>										
Accumulated excess revenue/deficit, beginning of year	102	(42)	(7)	(18)	94	60	o	o	189	(115)
Adjustment of opening balance	o	o	o	o	1	18	35	o	54	o
Adjustment of consolidation	o	o	38	(4)	61	(10)	(7)	o	78	o
Changes for the year	(639)	(324)	(77)	(38)	(277)	(94)	53	o	(1,396)	304
<b>Accumulated excess revenue/deficit, end of year</b>	<b>(537)</b>	<b>(366)</b>	<b>(46)</b>	<b>(60)</b>	<b>(121)</b>	<b>(26)</b>	<b>81</b>	<b>o</b>	<b>(1,075)</b>	<b>189</b>

Excess revenue/deficit in respect of PSO segments is recognised in the balance sheet under 'Other payables'/'Other receivables',

## Segment financial statements 2006

Amounts in DKK million	PSO West	PSO East	System West	System East	Grid West	Grid East	Gas trans- mission	Gas storage facility	Total 2006	Total 2005
<b>Assets</b>										
<b>Property, plant and equipment</b>										
Intangible assets	576	973	14	8	120	14	13	0	1,718	1,729
Property, plant and equipment	270	0	99	35	3,095	2,472	4,090	0	10,061	10,322
Investments	0	0	23	23	0	0	2	0	48	52
<b>Total non-current assets</b>	<b>846</b>	<b>973</b>	<b>136</b>	<b>66</b>	<b>3,215</b>	<b>2,486</b>	<b>4,105</b>	<b>0</b>	<b>11,827</b>	<b>12,103</b>
<b>Current assets</b>										
Inventories	0	0	0	0	3	10	37	0	50	142
Receivables	814	563	111	77	243	163	176	0	2,147	1,439
Cash and cash equivalents	4	3	9	6	17	8	15	0	62	270
<b>Total current assets</b>	<b>818</b>	<b>566</b>	<b>120</b>	<b>83</b>	<b>263</b>	<b>181</b>	<b>228</b>	<b>0</b>	<b>2,259</b>	<b>1,851</b>
<b>Total assets</b>	<b>1,664</b>	<b>1,539</b>	<b>256</b>	<b>149</b>	<b>3,478</b>	<b>2,667</b>	<b>4,333</b>	<b>0</b>	<b>14,086</b>	<b>13,954</b>
<b>Equity and liabilities</b>										
<b>Equity</b>	<b>0</b>	<b>0</b>	<b>(64)</b>	<b>(47)</b>	<b>2,068</b>	<b>1,260</b>	<b>410</b>	<b>0</b>	<b>3,627</b>	<b>3,786</b>
<b>Provisions</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>(22)</b>	<b>23</b>	<b>440</b>	<b>1,042</b>	<b>0</b>	<b>1,541</b>	<b>1,723</b>
<b>Liabilities other than provisions</b>										
Interest-bearing debt	1,094	1,132	114	117	746	228	2,644	0	6,075	6,188
Other liabilities other than provisions	570	407	148	101	641	739	237	0	2,843	2,257
<b>Total liabilities other than provisions</b>	<b>1,664</b>	<b>1,539</b>	<b>262</b>	<b>218</b>	<b>1,387</b>	<b>967</b>	<b>2,881</b>	<b>0</b>	<b>8,918</b>	<b>8,445</b>
<b>Total equity and liabilities</b>	<b>1,664</b>	<b>1,539</b>	<b>256</b>	<b>149</b>	<b>3,478</b>	<b>2,667</b>	<b>4,333</b>	<b>0</b>	<b>14,086</b>	<b>13,954</b>

## Accounting policies

The Annual Report of the independent public enterprise Energinet.dk for the period 1 January – 31 December 2007 has been presented in accordance with the provisions of the Danish Financial Statements Act, current Danish accounting standards 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 which apply to state-owned public limited companies. The annual report is presented in accordance with the rules for class D enterprises.

The same accounting policies are applied in the 2007 Annual Report as in the 2006 Annual Report.

Compared to the 2006 Annual Report, various balance sheet items in the 2006 Annual Report have been reclassified. The overall effect is an increase in property, plant and equipment of DKK 390 million and a similar fall in current assets for 2006.

In the income statement the purchase and sale of electricity in the PSO segment are shown gross as opposed to the Energinet.dk Annual Report 2006 where figures were shown net. The overall effect is an increase in gross revenue of DKK 2,044 million and a similar increase in costs of environmentally-friendly electricity generation etc. for 2006.

Comparative figures, key figures and financial ratios have been adjusted accordingly.

Furthermore, the accounting estimates for electricity and gas transmission facilities have been changed at 1 January 2007. Plants relating to the business segment 'electricity transmission' have been split up into components, which has reduced their useful lives as a whole. The useful lives of gas transmission facilities have been extended to 2029 to reflect Management's expectations as to the economic life of the facilities. Moreover, Management has decided to recognise a nature

restoration liability to cover the costs of removing transmission facilities and gas storage installations. The recognition is a consequence of Management as opposed to previously being able to determine the liability reliably. Finally, the useful life of the Kontek Link submarine cable has been reduced as a result of Management's decision to replace the cable sooner than expected. The overall effect in 2007 of the changed accounting estimates is reduced depreciation on non-current assets of DKK 35 million and increased capitalisation expenses of DKK 59 million compared to 2006.

### General comments on 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 can be measured reliably. Upon initial recognition assets and liabilities are measured at cost. Assets and liabilities are subsequently measured as described for each individual item mentioned 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.

Upon recognition and measurement, account is taken of any gains, losses and risks occurring before the presentation of the Annual Report and which either confirm or invalidate circumstances existing at the balance sheet date.

Revenue 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, provisions and reversals due to changed accounting estimates.

### Consolidated financial statements

The consolidated financial statements comprise the Parent, Energinet.dk, and subsidiaries in which Energinet.dk holds more than 50 per cent of the voting rights. Enterprises that are not subsidiaries but in which Energinet.dk holds 20 per cent or more of the voting rights and exercises significant influence on these enterprises' operational and financial management are considered associates.

The consolidated financial statements are prepared on the basis of financial statements for Energinet.dk and the subsidiaries by adding together items of a uniform nature and eliminating intercompany income and expenses, intercompany balances, dividend and profit and loss from transactions.

The acquisition of new enterprises is based on the purchase method under which the newly acquired enterprises' identified assets and liabilities are measured at fair value at the date of acquisition. Provisions are made for expenses relating to restructuring in the acquired enterprise which has been decided and announced in connection with the 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, including restructuring provisions, are recognised under 'Intangible assets' and amortised systematically in the income statement following an individual assessment of the economic life, which normally cannot exceed 20 years. Negative balances (negative goodwill) reflecting 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.

Equity investments in associates are measured under the equity method as the proportionately owned share of the associates' equity. Intercompany profits and losses are eliminated proportionately. The proportionately owned share of the associates' pre-tax results is recognised in the income statement.

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

Comparative figures for newly acquired, sold and divested enterprises or activities are not adjusted.

Profit or loss from the sale 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 and anticipated selling and divestment costs.

#### **Foreign currency translation**

Foreign currency transactions are translated on initial recognition at the exchange rate at the transaction date. Exchange differences arising between the exchange rate at the date of transaction and the exchange rate 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 exchange rate at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the time when the receivable or payable came into existence or was

recognised in the most recent annual report is recognised in the income statement under 'Financial income' and 'Financial expenses'.

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

#### **Derivative financial instruments**

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

Changes in the fair value of derivative financial instruments classified as and complying with the criteria for 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 value of derivative financial instruments classified as and complying with the criteria for the hedging of future assets or liabilities, are recognised directly in equity. Income and expenses in connection with such hedging transactions are transferred from equity upon realisation of the hedged asset or liability and are recognised under the same item as the hedged asset or liability.

Changes in the fair value of derivative financial instruments not complying with the criteria for being treated as hedging instruments are recognised in the income statement on a current basis.

## **Income statement**

#### **Revenue**

Gross 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 revenue can be calculated reliably and is expected to be received.

Gross revenue includes payments from the Company's customers which the Company has a statutory obligation to collect and pass on to the producers of environmentally-friendly electricity. Gross revenue thus indicates the total scope of the activities administered by the Company.

Revenue is shown in the income statement as gross revenue less taxes and payments to producers of environmentally-friendly electricity, etc.

#### **Work performed for own account and capitalised**

Work performed for own account and capitalised includes staff costs and indirect expenses incurred in connection with own production of non-current assets.

#### **Other operating income**

Other operating income includes items of a secondary nature in relation to transmission and system activities within the fields of electricity and gas.

#### **Other external expenses**

Other external expenses include expenses 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 the Company's employees, including the Supervisory and Executive Boards.

#### **Depreciation, amortisation and impairment**

This item includes the year's depreciation, amortisation and impairment of property, plant and equipment as well as intangible assets.



### Results of subsidiaries and associates

The proportionate share of the individual subsidiaries' pre-tax profit or loss after elimination of intercompany profit or loss and less amortisation of goodwill is recognised in the Parent's income statement. The share of the subsidiaries' tax and extraordinary items is recognised under tax on income or loss from ordinary activities or extraordinary income or loss after tax, respectively.

The proportionate share of the individual associates' pre-tax profit or loss after elimination of intercompany profit or loss and less amortisation of goodwill is recognised in the Parent's and the Group's income statements. The share of the associates' tax and extraordinary items is recognised under tax on income or loss from ordinary activities or extraordinary income or loss after tax, respectively.

### Financial income and expenses

Financial income and expenses include interest income and expenses, foreign exchange gains and losses in respect of securities, debt and transactions in foreign currency and amortisation of financial assets and liabilities. Financial income and expenses are recognised with the amounts pertaining to the financial year.

### Tax on net profit or loss for the year

The activities of the Energinet.dk Group covered by Section 35 O of the Danish Corporation Tax Act must not be jointly taxed with the Group's other activities. Energinet.dk's other activities are jointly taxed with its wholly-owned Danish subsidiaries. Current Danish corporation tax is 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 or 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 related to the extraordinary income or loss for the year is attributable to the extraordinary income or loss

for the year, while the remaining part is attributable to the income or loss from ordinary activities for the year.

The jointly taxed companies subscribe to the tax prepayment scheme. Additions, deductions and reimbursements in respect of the tax payment are recognised under net financials.

## Balance sheet

### Intangible assets

Intangible assets comprise goodwill, rights, development projects and software.

Rights include the right to make charges for ancillary services, transit agreements and the connection of offshore wind turbines etc.

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

Intangible assets are amortised using the straight-line method over the expected useful lives of the assets based on the following assessment of the expected useful lives of the assets:

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

Acquisitions in the financial year are amortised proportionately as per the date of the assets' entry into service.

Intangible assets are written down to the lower of recoverable amount and carrying amount. An annual impairment test is carried out of individual assets or groups of assets.

Profit or 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 or loss is recognised in the income statement under 'Other operating income' or 'Other external expenses'.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment.

Property, plant and equipment in progress are measured at cost. Extensive value-adding changes and improvements of property, plant and equipment are recognised as assets.

The cost comprises the cost of acquisition and any expenses directly related to the acquisition up until the time when the asset is ready for entry into service. For self-constructed assets, the cost comprises direct and indirect costs of materials, components, sub-suppliers and labour. Furthermore, any financial expenses attributable to the cost are recognised. In addition, nature restoration expenses are recognised as a part of the cost.

Property, plant and equipment are depreciated using the straight-line method over the expected useful lives of the assets based on the following assessment of the expected useful lives of the assets:

Land	No depreciation
Buildings	20-100 years
Technical plant	10-50 years
Cushion gas	No depreciation
Other plant, tools and operating equipment	3-10 years

New acquisitions with an acquisition cost below DKK 100,000 are charged to the income statement in the acquisition year.

Acquisitions in the financial year are depreciated proportionately as per the date of the assets' entry into service. Expenses in connection with extensive maintenance checks are recognised in the acquisition cost of technical plant as a separate non-current asset which is depreciated over its useful life, i.e. the period until the next maintenance check. Upon the original acquisition of property, plant and equipment, 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 as a separate asset with a shorter useful life and thus depreciation period at the date of acquisition.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount. An annual impairment test is carried out of individual assets or groups of assets.

Prepayments on property, plant and equipment not delivered are capitalised.

Interest and borrowing costs in relation to loans obtained to finance prepayments on property, plant and equipment not delivered are recognised as a part of the acquisition cost of such property, plant and equipment.

Profit or loss from the sale or scrapping of property, plant and equipment is determined as the difference between the selling price less dismantling, selling and nature restoration expenses and the carrying amount at the time of sale or scrapping.

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

#### **Investments**

Equity investments in subsidiaries and associates are measured under the equity method.

Other equity investments and other investments are measured at fair value provided the asset is expected to be disposed of before maturity. Investments 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 subsidiaries and associates are measured in the balance sheet as the proportionate share of the enterprise's equity value determined on the basis of the accounting policies applied by the Parent plus or minus unrealised intercompany profit or loss.

Net revaluation of equity investments in subsidiaries and associates is transferred under equity to reserve for net revaluation according to the equity method in so far as the carrying amount exceeds the cost.

#### **Inventories**

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

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

#### **Receivables**

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

#### **Prepayments (asset)**

Prepayments include prepaid expenses incurred including payments relating to the right of use of the German part of the Kontek Link.

#### **Assets intended for sale**

Assets intended for sale include non-current assets. Obligations relating to assets intended for sale are obligations directly linked to these assets which will be transferred in connection with transactions. Assets are classified as being 'intended for sale' when their carrying amount is recovered mainly through a sale within 12 months in accordance with a formalised plan rather than through continued use.

Assets intended for sale are measured at the lower of the carrying amount at the time of being classified as being intended for sale or the fair value less sales costs. Assets are not depreciated or amortised from the time of being classified as being 'intended for sale'. Impairment losses arising at the time when an asset is first classified as being 'intended for sale' and gains or losses resulting from the subsequent measurement at the lower of the carrying amount or the fair value less sales costs are recognised in the income statement.

#### **Securities**

Securities recognised under 'Current assets' are measured at fair value at the balance

sheet date. All fair value adjustments (with the exception of repayments) are recognised in the income statement.

## **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 through dividend distribution or in any other way to the Danish state.

#### **Contributed capital**

The contributed capital indicates the net value of assets and liabilities contributed in connection with the formation of the Company. The actual value of the contributed capital is hedged through annual capitalisation.

#### **Other reserves**

The item 'Other reserves' primarily covers the results in subsidiaries and adjustments of deferred tax liabilities, which in pursuance of the Danish Executive Order on the Financial Regulation of Energinet.dk cannot be charged via excess revenue/deficit. In addition, fair value adjustments of the hedging instruments which for accounting purposes are recognised direct in equity are also included.

#### **Excess revenue/deficit**

Positive and negative differences between realised income and the sum of necessary expenses in connection with interest on grid and system activities for electricity and gas are recognised as a separate item 'Excess revenue/deficit' under equity.

#### **Provisions**

Provisions are recognised when the Energinet.dk Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and such obligation can be determined reliably.

Provisions are measured and recognised on the basis of experience and Management's best estimate. Provisions with an expected maturity of more than one year from the balance sheet date are discounted.

The item consists mainly of nature restoration liabilities as a result of the removal of property, plant and equipment.

#### **Corporation tax and deferred tax**

According to the rules on joint taxation, Energinet.dk will – in its capacity as an administrative company – assume the liability for its subsidiaries' payment of corporation tax to the Danish tax authorities as the subsidiaries pay their joint taxation contribution. Current tax liabilities and current tax receivables are recognised in the balance sheet as tax calculated on the taxable income for the year adjusted for tax on the taxable income of previous years and for taxes paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet of the Parent under 'Receivables from subsidiaries'.

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 or anticipated at the balance sheet date, which is 25 per cent for 2007.

However, deferred tax on temporary differences relating to the amortisation of goodwill disallowed for tax purposes 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 is not recognised.

Changes in deferred tax as a result of a reduction in the corporation tax rate are recognised in the income statement. In those instances when the tax base can be determined in accordance with alternative taxation rules, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carryforward, are recognised at the value at which they are expected to be used either through elimination in tax on future earnings or through offsetting against deferred tax liabilities within the same jurisdiction.

#### **Liabilities other than provisions**

Mortgage debt and payables to credit institutions are recognised initially at the proceeds received net of transaction costs incurred. Financial liabilities are subsequently 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 'Financial expenses'.

Other liabilities other than provision, which include accounts payable, amounts owed to subsidiaries and associates, and other payables, are measured at amortised cost.

#### **Deferred income (liability)**

Deferred income consists of congestion rents. These rents comply with the requirements in Council Regulation (EU) No. 128/2003/09 on cross-border exchanges of electricity. The rents must be used for grid investments aimed at maintaining or increasing the capacity of the interconnections. The liability is recognised in the income statement over the life of the grid investment.

#### **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 presented in accordance with the indirect method, using the operating income or loss as 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 or 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 incurrence of short- and long-term debt and other payables. Other payables are specified in Note 20. Congestion rents and energy settlement, which are part of 'Other payables', are included in cash flows from operating activities under 'Change in liabilities'.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash.

#### **Segment information**

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



## Managerial posts held by Supervisory Board members

### Niels Fog

Managing director and member of the supervisory boards of Fog Fødevarer A/S, Fog Anlæg A/S and Fog Holding A/S, which are all consolidated companies.

Chairman of the supervisory boards of Johannes Fog A/S, Johannes Fog Holding A/S and Datacon A/S.

Member of the supervisory boards of Lokalbanen A/S, ID-Sparinvest A/S and BRF Fonden.

### Birgitte Kiær Ahring

Chairman of the supervisory board and manager of BioContractors A/S.

Member of the supervisory board and manager of BioGasol Aps and BioGasol IPR Aps.

Member of the supervisory board of Hede Nielsen Fonden.

### Birgitte Nielsen

Member of the supervisory boards of Arkil A/S, Faber A/S, Storebrand ASA, IDEAS A/S, Buy Aid A/S, Novenco A/S, NK Gruppen A/S and Datacompagniet A/S.

### Poul Erik Morthorst

Member of the supervisory board of the high-tech network VE-net.

### Erik Dahl, Hans Schiøtt, Niels Arne Gadegaard, Peter Møllgaard

None

### Berit Schilling, Carl Erik Madsen, Søren Dupont Kristensen

None

## Stakeholder Forum

### Chairman

Birgit W. Nørgaard, managing director, Grontmij I Carl Bro A/S

### Members (appointed by the then Danish Minister for Transport and Energy on the recommendation of organisations)

Allan Kjersgaard, Senior Consultant, Renosam

Anita Rønne, LL.M., Associate Professor in Energy Law, Faculty of Law, University of Copenhagen

Asbjørn Bjerre, Manager, Danmarks Vindmølleforening

Ebbe Seligmann, Manager, Sydenergi

Erik Nørregaard Hansen, Manager, Foreningen af Danske Kraftvarmeværker

Frede Hvelplund, Professor, Department of Development and Planning, University of Aalborg

Henrik Lilja, energy-political employee, Danish Federation of Small and Medium-Sized Enterprises

Jacob Østergaard, Professor, Head of the Centre of Electric Technology, Technical University of Denmark

Janne Wichard Petersen, energy employee, Danish Society for Nature Conservation

Jens Astrup Madsen, Energy Director, Landbrugsraadet

Jens Helmer Rasmussen, Deputy Director, DONG Energy A/S

Jørgen G. Jørgensen, Manager, Dansk Fjernvarme

Knud Sloth, Director, Aalborg Municipality, Utilities

Leif Winum, Manager, DONG Energy A/S

Majbritt Solskov Lind, Consultant, Confederation of Danish Industries

Martin Windelin, Economist, Economic Council of the Labour Movement

Michael Mikkelsen, Manager, Scanenergi

Niels Erik Andersen, Managing Director, HNG I/S

Peter Hjuler Jensen, Programme Manager, Department of Wind Energy, Risø National Laboratory

Simon Lodberg, Deputy Chairman of FSE, Finance Director of Dansk Supermarked

Svend Erik Jensen, negotiating secretary, 3F (industry group)

Uffe Rasmussen, member of the supervisory board of the Organisation for Sustainable Energy



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