Annual Report 2011

ENERGINET.DK

Energinet.dk owns the energy 'motorways' and supports Denmark's transition to renewable energy

Key ratios

Financial highlights

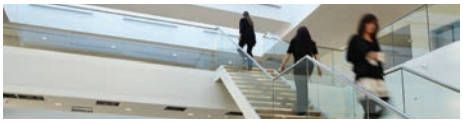
Income statement		2011	2010	2009	2008	2007
Revenue	DKKm	7,369	8,480	9,145	8,360	9,792
Excess revenue/deficit	DKKm	530	158	(263)	316	(980)
EBITDA	DKKm	1,615	2,230	1,874	2,032	1,288
Results before net financials	DKKm	749	1,086	577	866	279
Net financials	DKKm	(342)	(302)	(314)	(411)	(318)
Profit/(loss) for the year	DKKm	128	695	165	455	16
Strengthening of contributed capital	DKKm	176	154	(111)	199	144
Balance sheet						
Non-current assets	DKKm	19,052	17,423	17,038	17,164	15,119
Current assets	DKKm	3,455	2,914	2,591	2,645	3,754
Balance sheet total	DKKm	22,507	20,337	19,629	19,809	18,873
Interest-bearing debt	DKKm	10,286	8,655	9,238	9,852	8,225
Equity	DKKm	5,669	5,569	5,050	4,864	4,432
Cash flows						
Operating activities	DKKm	101	1,937	2,140	990	1,181
Investing activities	DKKm	(2,025)	(1,103)	(1,180)	(2,591)	(2,946)
of which investment in property, plant and equipment	DKKm	(2,166)	(1,040)	(1,056)	(1,030)	(836)
Financing activities	DKKm	1,544	(591)	(579)	939	2,401
Cash and cash equivalents, end of year	DKKm	280	660	417	36	698
Key ratios						
Solvency ratio	%	25	27	26	25	23
Credit rating Standard & Poors	Rating	AA	AA	AA	AA+	AA+
Price-index regulation announced by the Danish Energy Regulatory Authority	%	5.5	3.8	(2.0)	6.2	4.9
Rate of cost, operating costs	%	3.9	4.2	4.8	4.9	5.5
EBITDA margin	%	21.9	26.3	20.5	24.3	13.2
Operating cash flow/debt	%	1.0	22.4	23.2	10.0	14.4
Employees	No. of	572	544	505	488	483

Non-financial highlights

		2011	2010	2009	2008	2007
Tariffs						
Total consumption tariff (electricity)	DKK 0.01 per kWh	15.1	14.8	18.1	10.9	17.9
Grid tariff (electricity)	DKK 0.01 per kWh	4.5	3.5	4.5	3.6	1.7
System tariff (electricity)	DKK 0.01 per kWh	2.9	2.8	2.9	2.2	3.7
PSO tariff (electricity) (average for the year)	DKK 0.01 per kWh	7.7	8.6	10.6	5.2	12.4
Capacity charge (gas)	DKK/kWh/h/yr	10.54	10.54	11.54	8.58	14.0
Volume charge (gas)	DKK 0.01 per kWh	0.122	0.122	0.117	0.096	0.148
Emergency supply charge (gas)	DKK 0.01 per kWh	0.580	0.819	0.712	0.607	-
Human resources						
No. of occupational injuries, own staff	per million working hours	2.2	2.3	3.5	6.2	3.7
Absence due to illness	%	2.1	2.0	2.3	2.0	2.6
Employee turnover	%	9.4	6.8	8.4	11.2	13.9
Market information						
Purchases at Nord Pool Spot relative to consumption (electricity)	%	95	85	86	92	96
Sales at Nord Pool Spot relative to consumption (electricity)	%	80	96	75	69	83
Gas volume traded at GTF relative to transported volume	%	91	62	58	57	45
Purchases and sales at Nord Pool Gas	%	9	8	2	0	0
Security of supply						
No. of disconnections in 150/400 kV grid (electricity)	per 1,000 km	6	8	6	10	13
Delivery points affected by technical problems (gas)	%	0	0	0	0	0
Renewable energy						
Wind power production relative to net electricity production	%	29	21	20	20	19
Renewable energy production relative to net electricity production	%	37	34	29	29	28

For a definition of key figures and ratios, please see the accounting policies in the consolidated financial statements. Comparative figures have been restated to reflect changes in accounting policies.

Pursuant to Section 149 of the Danish Financial Statements Act, the annual report of the Group is an extract of the annual report of the enterprise and does not comprise the annual report of the Parent, Energinet.dk. The annual report of Energinet.dk is presented as a separate publication. Copies can be ordered at www.energinet.dk.



Contents

Language
The report has been prepared in Danish and in English. In the event of any discrepancies between the Danish and the English reports, the Danish version shall prevail.

Management's review

Preface by Management

The energy of the future is renewable – renewables are rerequired to make Denmark independent of fuel imports, ensure green growth and prevent serious climate change. This vision is fundamental to the energy policies pursued in Denmark and in the EU and provides a general framework for Energinet.dk's activities. Creating a fossil-free society requires a fundamental transformation of our energy systems – a transformation which currently dictates Energinet.dk's tasks and activities.

As TSO, Energinet.dk is responsible for the Danish electricity and natural gas systems. This is the enterprise's core activity. On behalf of society, Energinet.dk maintains a secure energy supply in both the short and the long term, creates the framework for well-functioning energy markets and supports the efficient integration of renewable energy. The end of 2011 also marked the end of Energinet.dk's 2008-2011 strategy period. Consequently, an important task in 2011 was to formulate a new strategy for the 2012-2015 period, a strategy which will stand strongly on the shoulders of its predecessor. The new strategy is based on three basic assumptions:

The energy of the future is green, and Energinet.dk will therefore create the foundations for a robust and intelligent transformation of the energy systems.

The transformation will require both national and international collaboration, and Energinet.dk will therefore focus on the integrated planning of the energy systems, contribute to increasing the level of proactivity demonstrated by the sector and develop the international infrastructure and markets.

The financial resources are scarce, which the financial crisis and credit crunch have clearly demonstrated, which in turn emphasises the need for Energinet.dk to continue to develop innovative and value-creating solutions. Energinet.dk's ambition is thus to support the transition of the entire energy sector to renewable energy, to actively support the functionality of the value chain and to continuously strengthen efficiency. This ambition also dominated the 2011 financial year, which saw a number of new pieces being added to the jigsaw which is the next-generation energy system.

Vital infrastructure projects were launched with the two-fold purpose of increasing the capacity of both the electricity transmission grids and the gas transmission networks as well as increasing gas storage capacity.

On the island of Bornholm, a huge step was taken on the path to realising the intelligent energy system of the future with the kick-off of the EcoGrid EU project. The project is a full-scale demonstration of a power system in which 50% of the electricity supplied to consumers is generated from renewables.

The energy system of the future will not only be built for people, but also by people – by people bursting with energy, unrelenting commitment and dedication. Some of these people work for Energinet.dk, and it is thanks to them that the enterprise can again look back on a year where security of supply was second to none, where many stones were turned to improve the enterprise's efficiency, and where new pieces were laid of the complicated jigsaw which will in time make up the 100% RE-based energy system.

Energinet.dk – the enterprise

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

Energinet.dk owns and runs the main electricity and gas infrastructure and is responsible for maintaining security of supply and well-functioning energy markets in the short and long term. These tasks are undertaken by the business segments Power system and Gas system, respectively.

On behalf of society, Energinet.dk is charged with promoting environmentally friendly energy generation. These tasks are undertaken by the business segment Promotion of environmentally friendly energy – PSO.

Energinet.dk also owns and operates two commercial enterprises. These activities are undertaken by the business segment Commercial activities.

Framework conditions

The overall framework for Energinet.dk's activities is determined by the energy policies pursued in the EU and in Denmark.

The EU's impact on energy policy

In recent years, the EU has taken on a new role in the field of energy. The member states have decided to strengthen their cooperation, and this development is leading to greater integration of the European markets, more binding agreements on common energy and environmental policies and greater regulation and coordination between member states.

The third liberalisation package resulted in the formation of bodies of cooperation for the TSOs, ie the enterprises which – like Energinet.dk – are responsible for the safe operation of the electricity and/or gas systems and for fulfilling the public service obligations. The bodies of cooperation are referred to as ENTSO-E (electricity) and ENTSOG (gas), respectively. The liberalisation package also resulted in the establishment of the Agency for the Cooperation of Energy Regulators (ACER). The organisations provide new frameworks within which to develop legislation, rules and regulations.

The security policy challenge presented by the fact that the EU is a major importer of coal, oil and gas has contributed strongly to the EU stepping up its focus on renewables. Moreover, the financial crisis has further fuelled European interest in the opportunities for green growth in the energy sector.

The EU's strengthened role in terms of energy policy is expected to continue to support the current direction of Danish energy policy and will contribute to further expansion of renewable energy, well-functioning energy markets and the establishment of a strong energy infrastructure in Europe. In this way, by, a common European framework is created that supports the efficient utilisation of energy resources in Europe.

The earthquake in Japan and the subsequent fire at the Fukushima nuclear power station in the spring of 2011 rekindled nuclear power safety concerns. Until then, nuclear power had been seen as an important option for reducing CO_2 emissions in Europe. However, political support for nuclear power is now

Energinet.dk's mission and vision

waning in a number of countries, and the possible decommissioning of the nuclear power stations in Europe over a short period of time will pose considerable challenges for the power system as a whole, in turn reinforcing the existing focus on integrating more renewable energy sources and on infrastructural expansion. At the same time, the demand for gas for power generation is expected to rise significantly. These developments highlight the importance of robust energy systems as changes in the world around us can quickly impact political priorities and thus Energinet.dk's core activities.

The Danish government's proposal for new energy agreement
Danish energy policy is based on a vision of total transition to renewable energy over the next 40 years. The ambition is to be fulfilled by transforming energy supplies and optimising energy consumption.

The government presented its draft energy agreement 'Our energy' in November 2011 which builds on the previous government's 'Energy strategy 2050' document. The aim is for Danish energy supplies to be based exclusively on renewable sources by 2050. With a number of initiatives aimed at increasing energy efficiency and supporting the transition to renewable energy, Denmark will be well under way to achieving its 2050 target as early as 2020.

In the short term, the transition will mean higher energy costs for Danish society. In the long term, the transition will result in an economy which is less vulnerable to fluctuations in the price of fossil fuels.

Mission

As the entity responsible for the electricity and natural gas systems we own the main energy infrastructure, ensure reliable energy supply and create the framework for well-functioning energy markets and the effective integration of renewable energy.

Vision

Using international and preferably market-based solutions, we will facilitate the increased use of renewable energy and help to solve the global energy and climate challenges.

The government's energy strategy represents a marked shift in the approach to realising the transition to renewable energy. Whereas in the past, political focus was primarily on fulfilling the EU's targets for renewable energy shares, CO_2 reductions and energy efficiency within the existing energy sector framework, focus is now on the long-term transition process. Thus, it no longer suffices to simply increase the share of renewables. As renewable energy is to go from covering a small proportion of demand to meeting total energy demand, it must also meet consumers' demand for energy services. This transition requires fundamental changes to how the energy sector generates, transmits and distributes energy as well as to how energy is traded. Realising the ambition therefore calls for radical changes in the energy sector and among consumers. Renewables in the form of wind, biomass and solar power cannot immediately replace fossil fuels. Technologies must be developed which can make use of the energy generated from renewable energy sources as it is generated, and which can efficiently meet consumer demand for energy for transport, electricity, heating etc. Energinet.dk's activities very much aim to support this agenda.

Strategic focus areas

The ambition is thus to support the transition to renewable energy throughout the energy sector, to support this development throughout the entire value chain of the energy system from generation to consumption and to continue to focus on efficiency.

In 2011, Energinet.dk prepared a new strategy for the 2012-2015 period. The strategy involves three focus areas: A proactive sector, the road to a green energy system and efficient transformation.

Proactive sector

Transforming the energy sector to ensure fossil fuel independence is a huge undertaking. This will not only make demands on the businesses in the energy sector. Households and other enterprises will also be a part of the solution, just as new and closer cooperation with the energy sectors in other countries is also crucial.

Energinet.dk's close collaboration with other players in the energy sector must therefore be further intensified. Energinet.dk must make its knowledge and expertise available to the legislators and regulators who are deciding the future framework for the energy sectors and energy systems. In the next strategy period, focus will therefore be on framework conditions and on developing the value chain.

Road to a green energy system

The long-term transformation of the energy sector to renewable energy poses a number of challenges for the various sectors in the energy system. Energinet.dk's core activities play an important role in the transformation process in terms of expanding the infrastructure, maintaining security of supply and ensuring well-functioning markets. However, a very important element in the transformation process is also the interaction with the rest of the energy sector.

Energinet.dk is currently in the process of creating the foundation of an energy system based on renewable energy. The power system will play a very central role in this transformation of the energy system, as wind power must be integrated into the

main energy system via the power system. The gas system has considerable potential as energy storage in an energy system with a large share of wind power and other fluctuating production, and it may also play an important role in the transition to an energy system which is independent of fossil fuels, with biogas and synthetic gases replacing fossil natural gas in the long term. The long-term development of the gas system should contribute to value creation in the main energy system.

The long-term political goal of Danish fossil fuel independence calls for a coherent approach to tackling the challenges of achieving this goal. Consequently, Energinet.dk will also in the coming strategy period focus on the integrated planning of energy systems as well as on research, development and demonstration activities aimed at supporting the long-term goals.

Efficient transformation

As an independent public enterprise, Energinet.dk must maintainhigh efficiency in all its daily activities, and documented efficiency and value creation are important success criteria for private as well as public enterprises now and in future. It is therefore central for Energinet.dk to continuously follow up on efficiency levels and especially to document efficiency and the value created by Energinet.dk for society. Consequently, Energinet.dk's strategy strengthens its focus on a more performance-based culture as a means of further improving efficiency.

Realising strategic targets

In 2011, Energinet.dk came to the end of its 2008-2011 strategy period. Based on a number of ambitious climate and energy policy goals for reducing CO_2 emissions and using more renewable energy, the strategy focused on five strategic themes: Efficient operation and establishment of new infrastructure; electricity and gas market development, renewable energy integration, growth, and the basis of the enterprise.

Energinet.dk is well on its way to realising these strategic goals. For example, work to expand the gas infrastructure has commenced which is a prerequisite for maintaining gas supplies in future. Moreover, the development of a concept for managing a power system with a 50% renewable energy share is nearing completion. The goal of improving the functioning of the electricity and gas markets has been fulfilled at several levels, and as regards the integration of renewable energy, Energinet.dk is working on a number of large full-scale solutions for ensuring the integrated planning of energy systems. Also, it is now possible to trade biogas in the natural gas network.

The growth theme was concerned with making socio-economically viable investments in the electricity and gas systems. The negotiations concerning the acquisition of the regional transmission grids which commenced in 2011 represented an important step in the direction of realising this goal.

The strategic goals are described in further detail under Efficiency and value creation and in the sections about the individual business segments.

Research and developn

Research, development and demonstration of technological solutions and innovative market models should contribute to paving the way for an energy system based on renewable energy, the efficient use of energy and further electrification. Energinet.dk plays a central role in ensuring that R&D activities support the desired development.

Firstly, Energinet.dk provides funding for external energy research via PSO-financed programmes, the object being to support the development of environmentally friendly power generation technologies. Secondly, Energinet.dk initiates its own R&D activities, which are carried out with both Danish and international partners and research institutions. Energinet.dk also engages in co-operation with several European organisations, with a view to defining and prioritising its R&D efforts. Partnering is a way of devising solutions which match the Danish challenges, while at the same time improving the scope for exports. With a view to making the most of the experience gained, Energinet.dk is keen to see the project being continued by a commercial player.

Integrating renewables

The special challenges of integrating renewable energy into the power system and the need for intelligent control of the power system are at the core of Energinet.dk's R&D activities. The two most unique projects currently in progress are the Cell Project and EcoGrid EU.

By means of advanced technology, the Cell Project, which was successfully completed in 2011, is intended to help prepare the Danish power system for the future. The heart of the project, the so-called cell controller, controls, regulates and monitors a distribution system composed of a large number of fluctuating production units. The cell controller maintains a high level of security of supply in step with an increase in the volumes of fluctuating power generation from wind turbines and small CHP plants. The project, which has attracted considerable international attention, was undertaken together with a number of international partners, SE (formerly Syd Energi) and the owners of a number of CHP plants and wind turbines in Jutland.

Energinet.dk is also behind an initiative which will see the island of Bornholm becoming home to the ambitious EcoGrid EU demonstration project in the next few years. The project involves testing a complete smart grid system that contains all the ingredients of an intelligent power system with a 50% renewable energy share. Østkraft and Energinet.dk are central project partners together with 14 other Danish and international research environments and industrial partners. The first phase of the project started in the spring of 2011 and runs until 2015.

Green gas system

The gas system can provide flexibility in an energy system that incorporates large volumes of fluctuating electricity generation by acting as a storage facility. Also, the gas system may become an important 'green' energy carrier for eg biogas and other gases based on renewable energy, the so-called RE gases. This is the reason why Energinet.dk will, in the near future, be launching two demonstration projects within RE gases for the gas system or new applications for gas.

nent

Efficiency and value creation

Like the rest of society, Energinet.dk recognises the importance of a sustained focus on efficiency. Marked improvements in the efficiency of operations have been achieved in recent years, and further improvements are planned as part of Energinet.dk's strategy plan for the 2012-2015 period.

An increased need for documenting efficiency levels has arisen as a result of the economic crisis and the growing focus among Energinet.dk's stakeholders on this issue. As an independent public enterprise, Energinet.dk is already required to maintain extremely high levels of efficiency in all its daily operations, and documented efficiency and value creation will be important success criteria for private as well as public enterprises in future.

In addition to the enterprise's internal financial management based on efficiency targets and other key performance indicators (KPIs), Energinet.dk is a keen user of benchmarking against similar enterprises, the overriding purpose being to constantly improve efficiency.

Efficiency

Energinet.dk's status as an independent public enterprise, whose main purpose is not to generate a profit, makes it difficult to document efficiency in a traditional sense. For example, it is not possible to calculate a meaningful EBITDA margin for the enterprise, nor does calculating the return on the invested capital make much sense.

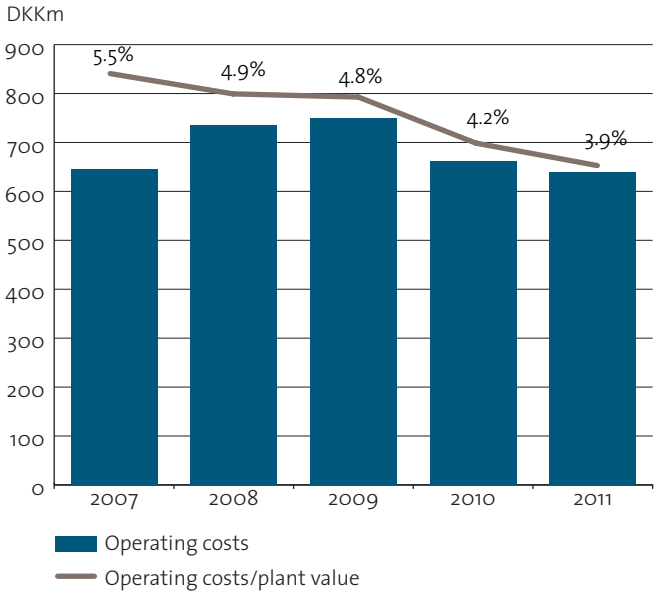
Energinet.dk is handling an increasingly complex task, not least due to the growing volumes of renewable energy being fed into the power system as a result of the political goal of making Denmark independent of fossil fuels. Energinet.dk is required to develop the infrastructure, which is reflected in increasing investment levels and which will basically lead to increasing operating costs.

Energinet.dk therefore measures its operating efficiency based on changes in the relationship between the costs incurred in connection with running the constantly expanding infrastructure and the carrying amount of these installations, as reflecting the size of the installations, in the form of the cost ratio (operating costs relative to the carrying amount of the installations in %), see Figure 1.

A large number of initiatives have been implemented in recent years aimed at increasing efficiency levels, the purpose being to keep electricity and gas tariffs stable despite the higher investments. These endeavours have been largely successful, primarily thanks to a number of efficiency measures within operations, procurement, ancillary services for the power system and emergency supplies to the gas system.

As can be seen from the figure, Energinet.dk succeeded in reducing the cost ratio from 5.5% in 2007 to 3.9% in 2011. This equates to savings of just over DKK 250 million in 2011, or average annual savings of 7% during this period. In addition, annual savings of approx. DKK 250 million were realised on ancillary services and emergency supplies in 2011, corresponding to an approx. 5% improvement in efficiency since 2008.

Figure 1: Efficiency and operating costs



Efficiency increase up until 2015

Further improvements in efficiency are planned as part of Energinet.dk's strategy plan for the period up until 2015. The aim is thus to reduce the cost ratio by one third by 2015, corresponding to annual savings of almost DKK 200 million.

Together with planned reductions in the costs of ancillary services, these efficiency increases will mean that the electricity tariff can be maintained at the 2012 level, while any increase in the gas tariff will be solely attributable to an expected fall in gas consumption of 16%.

Stable tariffs will be maintained despite the addition of new tasks and installations; infrastructural investments to the tune of DKK 14 billion are planned for the 2012-2015 period.

Efficiency benchmarks

Energinet.dk pursues a strategic target of being ranked among the top 20% in the benchmarking of electricity and gas TSOs. Energinet.dk therefore participates in relevant international benchmarks measuring operating cost levels and necessary investments relative to the size of the physical transmission grids and networks. This provides an idea of how efficient Energinet.dk is compared to similar enterprises in other countries. In addition to systematically comparing performance, the purpose of the benchmarking is to learn from the best of peers with a view to improving performance and becoming more efficient oneself.

As mentioned above, cost efficiency has developed positively in recent years for both the electricity and gas systems.

Benchmark analyses of 27 TSOs, looking at their security of supply and the costs of operating their electricity transmission grids and stations, show that Energinet.dk maintains a very high level of security of supply at below-average cost levels. During the 2006-2010 period, a high level of security of supply was maintained, while operating and maintenance costs were reduced, and Energinet.dk is now being ranked in the top third.

Operating costs and the costs associated with necessary investments in the gas transmission network have been reduced markedly, especially the system-related costs relating to control units and administration. In the most recent benchmark (GTBI), Energinet.dk's costs were thus reduced by 15% in the 2005-2010 period.

A new European benchmarking of electricity TSOs is expected to be conducted in 2012. The efficiency measurement will be carried out by the European competition authorities for the purpose of shedding light on the cost efficiency of the various SOs relative to each other.

Value creation (benefits to society)

A number of investment decisions, including in particular decisions concerning international interconnections, do not rely on traditional calculations of how the individual investment will affect Energinet.dk's financial situation. As an independent public enterprise, Energinet.dk must make investments in the

transmission grids and networks which positively benefit society, regardless of whether such investments may negatively impact the enterprise's own finances.

The positive benefits to society are the benefits which the generators may enjoy in the form of improved commercial outlets, the benefits for consumers in the form of a bigger market with lower prices, the income flowing to the owner of the interconnection in cases of insufficient capacity (congestion rents) seen against the costs associated with the investment itself and the future operation of the installation. Only the congestion rents and the costs of the investment are recognised in Energinet.dk's financial statements. On the other hand, this means that the significant positive benefits for society created by the investment for generators and consumers are not included in Energinet.dk's financial statements, but only serve as a decision-making basis.

At the end of 2011, the carrying amount of Energinet.dk's international interconnections was DKK 2,860 million, entailing annual costs in the form of interest, depreciation and operating expenses of approx. DKK 500 million. In 2011, the interconnections generated congestion rents of more than DKK 600 million, thus resulting in a profit before tax. Moreover, the total positive benefits for generators and consumers constituted a substantial contribution to the Danish economy.

Corporate governance

Energinet.dk's corporate governance framework consists of regulatory requirements, the stock exchange rules applicable in Denmark, the Danish recommendations on corporate governance and Energinet.dk's own internal rules. The management values are in compliance with the principles of corporate governance and form the basis of the internal management model.

Management structure

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

Energinet.dk is responsible towards the owner for the enterprise's results. Through internal control and independent auditing, Energinet.dk continuously seeks to provide the most correct, adequate and reliable information in the enterprise's reporting. The reporting contributes to enabling the owner to assess the results of the actions of the Supervisory Board and Management.

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

Management's independence

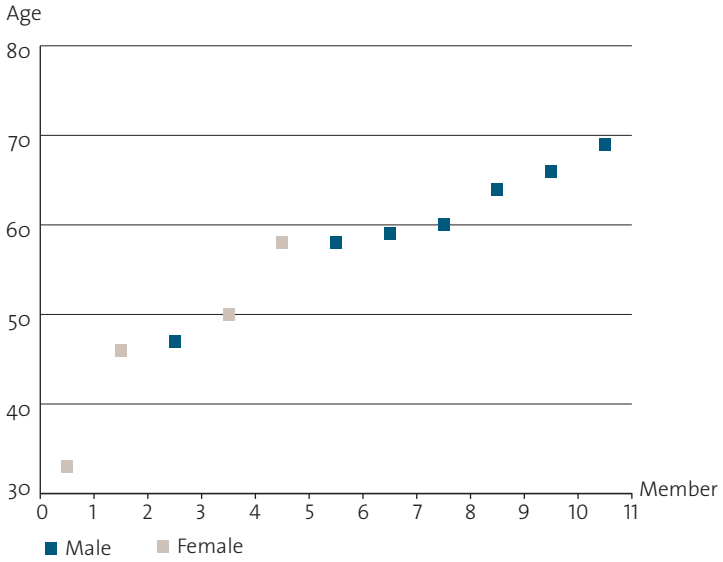
Pursuant to the new electricity and gas directives, which have been implemented in Denmark through the Danish Electricity Supply Act and the Danish Natural Gas Supply Act, Energinet.dk must be certified as a transmission system operator (TSO) for electricity and gas in unbundled ownership in order to document that the enterprise complies with the new requirements for independence. The independence requirements apply to Energinet.dk as such as well as to individuals holding managerial posts for Energinet.dk. In this context, the Executive Board and the Supervisory Board have therefore signed solemn declarations guaranteeing their personal independence.

Supervisory Board

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

Ten Supervisory Board meetings were held in 2011. To ensure that the Supervisory Board is kept sufficiently well informed of Energinet.dk's operations, the Executive Board participates in board meetings and has the right to speak, but has no voting rights. However, the Executive Board does not participate in the consideration of items on the agenda which are reserved for the Supervisory Board's internal discussions at the meetings.

Figure 2: Age and gender composition of Supervisory Board



Supervisory Board's self-evaluation
The Supervisory Board evaluates itself using scores on a scale of 1 to 5. So far, the self-evaluation has been performed every other year, but will from now on be carried out once a year. In 2011, the result was a total score of 4.65. The result is a little higher than the level of 4.38 reached in 2009 and on a par with the average score of 4.63 achieved in 2007. The score was thus at a very high level in all three years. The Supervisory Board also assesses its competency profile, covering the following areas:

- Strategy and business development
- Business management
- Finance, economy and risk management
- Organisational conditions
- Consumer conditions
- Competitive conditions
- Research environments
- Sector knowledge
- Energy systems, nationally and internationally
- Specific knowledge of the Danish electricity and gas systems.

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

Role of the owner and cooperation with Energinet.dk's Management
The Minister for Climate, Energy and Building meets on a quarterly basis with the Supervisory Board chairman as well as any other Supervisory Board members and Executive Board members if required. Energinet.dk attaches paramount importance to briefing its owner continuously of its current operations and the challenges it will be facing in the future.

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

Employment and compensation terms

In order for Energinet.dk to realise its strategy and achieve its it is a precondition that the enterprise is able to attract and retain competent and committed employees and managers. This is achieved, among other things, by offering competitive employment and pay terms.

Remuneration of the Group Executive Board
The Supervisory Board chairman proposes the remuneration for

Table 1: Composition of remuneration for Supervisory Board, Executive Board and Stakeholder Forum

	Group Executive Board	Supervisory Board	Stakeholder Forum
Fixed basic pay	YES	YES	YES
Cash bonus scheme	NO	NO	NO
Share-based incentive scheme	NO	NO	NO
Severance payment	12 mths.	NO	NO
Pension	0-15%	NO	NO
Fee for committee work and ad hoc tasks	NO	NO	NO
Travel allowances *)	YES	YES	YES
Other payments	YES	NO	NO

*) refunded according to vouchers submitted

Table 2: Group Executive Board remuneration

	Fixed salary	Pension	Other payments	Total
Peder Østermark Andreasen	2.9	0.4	0.1	3.4
Torben Glar Nielsen	1.7	0.3	0.1	2.1
Torben Thyregod	2.0	0.0	0.1	2.1
Group Executive Board, total	**6.6**	**0.7**	**0.3**	**7.6**

the Group Executive Board, which must subsequently be approved by the Supervisory Board. Each year, the remuneration is compared with the remuneration level in similar large Danish enterprises, and the remuneration is also assessed in relation to similar positions in comparable enterprises.

The Executive Board's remuneration consists of a fixed basic pay, a pension contribution and the same payments as other executive employees, see Table 1. The pension contribution may be converted to fixed pay.

Energinet.dk may dismiss Executive Board members by giving twelve months' notice, and Executive Board members may resign from Energinet.dk by giving six months' notice.

Remuneration of the Supervisory Board
The remuneration for the Supervisory Board is a fixed basic remuneration. The remuneration is on a par with the level in other large Danish enterprises and amounts to DKK 400,000 per year for the chairman and DKK 125,000 per year for the other members.

Each year before the end of April, the Minister for Climate, Energy and Building fixes the remuneration for the Supervisory Board for the coming year.

Expenses, for example for travel and accommodation in connection with board meetings and relevant education and training, are refunded according to vouchers submitted. No additional reimbursements are paid.

Remuneration of the Stakeholder Forum
The chairman of the Stakeholder Forum receives an annual fee of DKK 35,000. No fees are paid to the other members of the Stakeholder Forum.

Control environment

External auditors
Energinet.dk's annual report is audited by Rigsrevisionen (the national audit office of Denmark) in pursuance of the Danish Financial Statements Act and the Danish Act on the Auditing of Governmental Accounts etc.

The Supervisory Board presents Energinet.dk's financial statements. As auditor for Energinet.dk, the Auditor General reports to the Supervisory Board. The Auditor General may report on the audit to the members of the Danish Public Accounts Committee at their request or on his own initiative. A draft for a possible report to the members of the Danish Public Accounts Committee is presented to the Supervisory Board and the Minister for Climate, Energy and Building for comments.

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

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

Risk management and internal control
Energinet.dk's risk management and internal control environment in respect of the reporting processes aim to safeguard effective control of the risk of material misstatement. Energinet.dk must ensure that there are no weaknesses in the internal control system which may result in material misstatement in the financial statements.

The internal control environment at Energinet.dk is based on the corporate governance principles. Energinet.dk uses an adapted version of 'The COSO Framework for Enterprise Risk Management' to ensure that the selection and performance of internal control is based on well-documented business processes and identifies all significant risks. The framework also forms the basis of the general risk management process at Energinet.dk.

Internal audit committee
In 2011, Energinet.dk's management decided to establish an internal audit committee to further strengthen the financial reporting and the internal control environment. The internal audit committee reports to the Executive Board, and the internal auditor reports to the internal audit committee. The committee approves the terms of reference, audit plan and budget for the internal audit.

Through the internal audit committee and internal audit, Management ensures ongoing follow-up on the internal control environment.

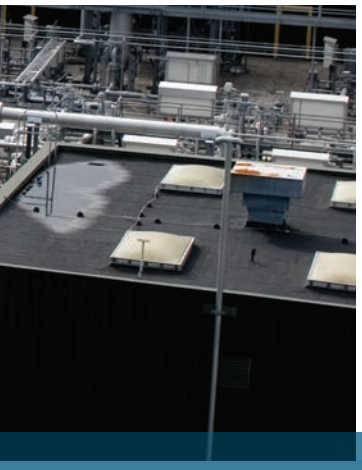
The Supervisory Board annually assesses the need for strengthening the organisation of the internal audit environment. It is the opinion of the Supervisory Board that the current organisation adequately safeguards an efficient control environment.

Whistleblowing
The Supervisory Board has decided to establish a whistleblowing scheme to enable employees or other stakeholders to anonymously report suspected violations of ethical guidelines and financial fraud.

The whistleblowing scheme, which will be established via an external supplier, will be accessible via telephone and the Internet. The scheme must be approved by the Danish Data Protection Agency and will enter into force when such approval is available, presumably by 2012.

Corporate governance practice
Corporate governance is an issue which Energinet.dk's Supervisory Board continuously discusses based on the enterprise's activities, external framework, history etc. Corporate governance is a dynamic process in the course of which Management continuously assesses the need for changes.

New recommendations on corporate governance were introduced in Denmark in 2011. Energinet.dk complies with most of



these recommendations, although the enterprise as an independent public enterprise is not under an obligation to do so. Due to Energinet.dk's ownership structure, a few areas in the recommendations are without relevance to the enterprise. Energinet.dk therefore does not comply with the recommendations in the following areas:

- Publication of quarterly reports
- Establishment of permanent board committees and an actual audit committee
- Fixing of a retirement age for members of the Supervisory Board
- Appointment of a deputy chairman of the Supervisory Board.

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 operations of Energinet.dk and its wholly owned subsidiaries.

Energinet.dk prepares relevant internal monitoring programmes to avoid discriminatory behaviour in connection with the transmission and TSO activities relating to the supply of electricity and gas.

Openness and transparency
Energinet.dk has set up procedures to ensure that it provides the information which is essential to the owner.

The communications policy 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 role in society, communicates openly and transparently about its activities.

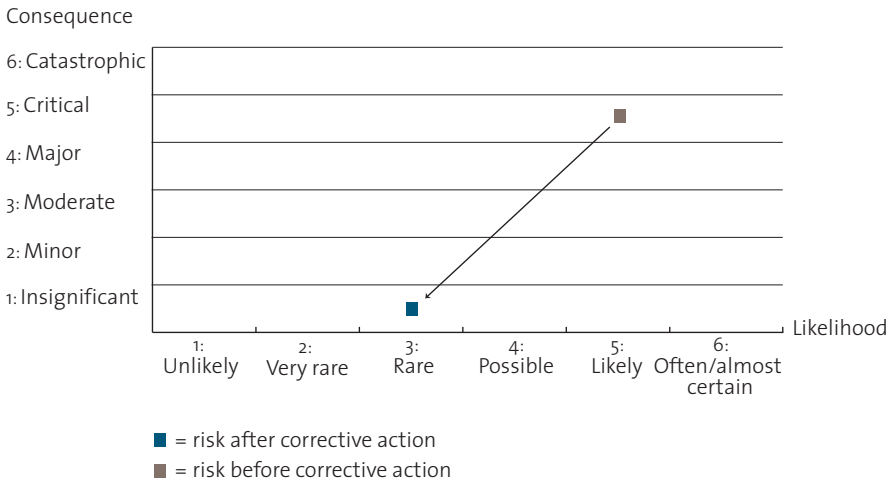
Risk management
Energinet.dk always strives to have an overview of the strategic, operational and project-related risk factors and to manage them in order to achieve its objectives. The Executive Board is responsible for ensuring a systematic, integrated process for ongoing risk assessment and has laid down the overall strategy for the ongoing risk management, which includes making certain that the risk management supports the overall internal control environment.

The aim is to control risks proactively through active and dynamic risk management in order to safeguard the enterprise's continued growth and protect its employees, assets and reputation. This means that Energinet.dk:

- applies an effective and integrated risk management system while maintaining its business-related flexibility
- identifies and assesses significant risks associated with the enterprise
- monitors, controls and limits risks.

The Executive Board informs the Supervisory Board of the status of and development in the most significant risks and any action plans on an annual basis.

Figure 3: Risk matrix for consequence and likelihood



As part of its risk management, Energinet.dk focused in 2011 on organising and optimising the risk management area. As mentioned in the section 'Control environment', Energinet.dk has chosen to use an adapted version of 'The COSO Framework for Enterprise Risk Management'. The foundation has thus been laid for further optimisation and streamlining of the cross-organisational handling of risks.

Risk management process

Energinet.dk's risk policy outlines the overall guidelines for risk tolerance, including guidelines for financing, credit granting and insurance. These guidelines are dealt with separately and are specified in the finance, credit and insurance policies. The policies are revised regularly to ensure the timely re-assessment of the risk tolerance. The risk policy is approved by the Supervisory Board once a year.

Each quarter, the business segment managers report on the most significant risks along with plans or processes for managing these risks. Risk Management, which is a support function for the CFO, challenges the business segments in respect of the status reported. The status is reported to the Executive and Supervisory Boards through the quarterly financial reporting process.

The quarterly reporting includes a statement of accumulated credit losses and own-risk payments to ensure that the Supervisory Board has up-to-date information about the financial consequences of the risk, finance, credit and insurance policies, and thus enable the Supervisory Board to make recommendations for risk-reducing initiatives if deemed necessary.

To counter any new risks, the risk picture is updated once a year. A risk report is prepared containing an assessment of the most important business risks involved in realising Energinet.dk's strategic and operational objectives and of the risks associated with financial reporting. The report is presented to the Supervisory Board for approval.

Risk assessments are carried out based on the likelihood of an event occurring and the possible derived consequences for Energinet.dk, see Figure 3. The consequences are assessed on the basis of several criteria, eg the financial impact on both Energinet.dk's finances and the economy, the enterprise's image, the environment, and health and safety.

Limiting and corrective actions are launched regarding the most significant risks, which are thus managed and controlled.

Energinet.dk's corporate social responsibility (CSR)

Energinet.dk works systematically with corporate social responsibility (CSR). Social responsibility is a focal point for Energinet.dk's core business – security of energy supply in Denmark.

This provides a natural point of departure for taking a strategic and business-driven approach to working with CSR, ie using the enterprise's core activities as the natural starting point.

The 2009 CSR policy reflects the UN Global Compact's ten principles for businesses' work with corporate social responsibility. The policy contributes to setting the framework for the annual

preparation of a targeted CSR action plan for the three areas selected: employees, procurement, and climate and the environment.

The targeted CSR work contributes, among other things, to ensuring that the enterprise when performing its core activities systematically and to a suitable extent takes the conditions in the three selected focus areas into account. Through data collection and progress reporting on the CSR objectives, the aim is for Energinet.dk to be considered a socially responsible and highly credible enterprise, internally as well as externally.

According to the Danish Financial Statements Act, large enterprises must each year account for their CSR practices. As Energinet.dk has also joined the UN Global Compact, the enterprise elected only to submit a progress report to the UN. The report is a detailed account of Energinet.dk's CSR activities. Detailed reporting on Energinet.dk's CSR efforts in 2011 is available at www.energinet.dk/CSR.

Health and safety

In 2011, the health and safety organisation was working according to the work programme prepared at the end of 2010 on the basis of the new rules issued by the Danish Working Environment Authority regarding the organisation of occupational health and safety tasks. In this context, three action plans were drafted with related targets concerning internal working environment audits, substitution of substances and materials and workplace assessments. All targets were met in a satisfactory manner. A training and education plan was also drafted in respect of emergency preparedness exercises and communication on health and safety.

At the end of 2011, a new work programme was prepared for 2012, containing three new action plans with related targets and a training and education plan supporting these targets.

As Energinet.dk has always had a very low injury frequency rate, it has been decided not to set specific targets for this particular area. All injuries are thoroughly analysed, and corrective action is taken, if relevant, on which continuous follow-up is carried out in a deviation management system. In 2011, Energinet.dk started to register the number of reportable occupational injuries experienced by external consultants, suppliers and contractors when they were working on or in Energinet.dk's installations or buildings. In 2011, as in 2010, there were three internal occupational injuries resulting in lost time and three occupational injuries among external suppliers resulting in lost time, respectively.

In connection with increasing activity levels in connection with construction projects, strong focus will remain on the owner's statutory coordination of health and safety at the construction sites. In this context, there will be a constant focus on streamlining and optimising the management systems utilised to ensure continued strong focus on health and safety at the construction sites.

Preparedness

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

In 2011, Energinet.dk focused particularly on training exercise activities, both in the sectors and internally at Energinet.dk. The first five-year cycle of the Danish executive orders on preparedness ended on 1 July, which, among other things, prompted Energinet.dk in late summer to review the status of the exercise activities performed by enterprises under a preparedness obligation. The review resulted in the introduction of a stricter case handling procedure at Energinet.dk in general and in special focus being directed on improving the consultative services offered to the enterprises.

In September 2011, Energinet.dk participated in the national crisis management exercise, KRISØV 2011. The overall training exercise was arranged by the the Danish Emergency Management Agency, while the energy-related input was delivered by the Danish Energy Agency. The exercise was an opportunity, among other things, for practising communication and coordination internally at Energinet.dk as well as practising the external collaboration with authorities. The evaluation of the exercise did not render it necessary to materially change preparedness planning.

In the international arena, Energinet.dk is still participating in the realisation of Rigsrevisionen's recommendations for more binding emergency preparedness collaboration for the electricity sector in the Nordic region. Energinet.dk is also contributing input for the European Commission's work in the emergency preparedness area for electricity and gas, both at the formal level in connection w ith the upcoming revision of the EU directive on the protection of European critical infrastructures and informally through participating in EU-initiated forums for TSOs.

Boards and Stakel

Supervisory Board

Niels Fog, Chairman
MSc (Economics and Business Administration) and merchant.
Appointed to the Supervisory Board by the Minister for Climate and Energy in 2005, reappointed in 2007, 2008 and 2010.
The appointment expires on 30 April 2012.
Other directorships:
- Managing Director and member of the supervisory board of Fog Holding A/S
- Chairman of the supervisory boards of Johannes Fog A/S, Johannes Fog Holding A/S and Datacon A/S
- Member of the supervisory board of BRF Holding A/S

Anne Broeng
MSc (Economics), Group Executive Vice President and CFO, PFA Pension.
Appointed to the Supervisory Board by the Minister for Climate and Energy in 2010.
The appointment expires on 30 April 2012.
Other directorships:
- Group Executive Vice President and CFO, PFA Pension
- Chairman of the supervisory board of PFA Kapitalforvaltning, fondsmæglerselskab A/S
- Member of the supervisory boards of Bikubenfonden, PFA Professionel
- Forening, PFA Portefølje Administration A/S, PFA Ejendomme
- A/S and PFA Invest International A/S with seven associated subsidiaries

Birgitte Kiær Ahring
MSc (Biology), PhD, Professor of Biotechnology at Aalborg University.
Appointed to the Supervisory Board by the Minister for Climate and Energy in 2005, reappointed in 2007, 2008 and 2010.
The appointment expires on 30 April 2012.
Other directorships:
- Chairman of the supervisory board and manager of BioContractors A/S

Hanne Søndergaard
Deputy CEO, Arla Foods UK.
Appointed to the Supervisory Board by the Minister for Climate and Energy in 2010.
The appointment expires on 30 April 2012.
Other directorships:
- Member of the supervisory boards of Annelise og Tage Søndergaards Fond, Ejendomsselskabet af 2/1 1989 Esbjerg and Tage Søndergaard Holding A/S

Per Sørensen
Engineer, Diploma in Economics.
Appointed to the Supervisory Board by the Minister for Climate and Energy in 2010.
The appointment expires on 30 April 2012.
Other directorships:
- Member of the supervisory boards of Horsens Vand A/S, Delpro Holding A/S and B4F S.M.B.A

holder Forum

Supervisory Board from left: Poul Erik Morthorst, Birgitte Kiær Ahring, Anne Broeng, Peter Møllgaard, Niels Fog, Carl Erik Madsen, Jess Bernt Jensen, Louise Overvad Jensen, Hanne Søndergaard, Erik Dahl.
Per Sørensen was not present when the photo was taken.

Erik Dahl
Engineer, Diploma in Economics.
Appointed to the Supervisory Board by the Minister for Climate and Energy in 2005, reappointed in 2007, 2008 and 2010. The appointment expires on 30 April 2012.
Othe r directorships:
• None

Peter Møllgaard
MSc (Economics), PhD, Professor of Industrial Organization at Copenhagen Business School (CBS).

Appointed to the Supervisory Board by the Minister for Climate and Energy in 2005, reappointed in 2007,
2008 and 2010.
The appointment expires on 30 April 2012.
Other directorships:
• None

Poul Erik Morthorst
MSc (Economics), Professor at Risø National Laboratory.
Appointed to the Supervisory Board by the Minister for Climate and Energy in 2005, reappointed in 2007,
2008 and 2010.
The appointment expires on 30 April 2012.
Other directorships:
• None

Carl Erik Madsen
Engineer, Electricity Transmission.
Employee-elected; joined the Supervisory Board in 2007, re-elected in 2011.
The term of office expires on 23 August 2015.
Other directorships:
• None

Jess Bernt Jensen
Chief Consultant, Gas Market.
Employee-elected; joined the Supervisory Board in 2011. The term of office expires on
23 August 2015.
Other directorships:
• None

Louise Overvad Jensen
Engineer, System Operation.
Employee-elected; joined the Supervisory Board in 2011. The term of office expires on
23 August 2015.
Other directorships:
• None

Executive Board

Peder Ø. Andreasen, President and CEO
Other directorships:
- Chairman of the supervisory board of Rejsekort A/S

Torben Thyregod, Executive Vice President, CFO
Other directorships:
- Managing Director of Torben Thyregod Holding ApS with three associated subsidiaries
- Member of the supervisory boards of Airport Terminal A ApS, its holding company TOKE Holding ApS and of Grapevine ApS

Torben Glar Nielsen, Executive Vice President
Other directorships:
- None

Stakeholder Forum

Members at 31 December 2011

Chairman
Birgit W. Nørgaard, member of the supervisory boards of the EUDP and the Technical University of Denmark

Members
Allan Kjersgaard, senior consultant, Renosam
Asbjørn Bjerre, manager, Danish Wind Turbine Owners' Association
Birgitte Sloth, Associate Dean, Professor, University of Copenhagen
Birte Holst Jørgensen, Senior Scientist, Risø DTU
Camilla Damsø Pedersen, Consultant, Confederation of Danish Industry
Charlotte Søndergren, Chief Consultant, Danish Energy Association
Ellen Margrethe Basse, Professor, Doctor of Laws (LLD), Aarhus University
Erik Nørregaard Hansen, Manager, Foreningen af Danske Kraftvarmeværker (Danish Association of CHP Plants)
Frede Hvelplund, Professor, Department of Development and Planning, University of Aalborg
Heidi Rønne Møller, Consultant, The Danish Federation of Trade Unions
Jacob Østergaard, Professor, Head of the Centre of Electric Technology, Technical University of Denmark
Jan Ingwersen, manager, DONG Energy Markets
Janne Wichard Henriksen, climate-political employee, Danish Society for Nature Conservation
Jens Astrup Madsen, energy manager, Danish Agriculture & Food Council
Kim Mortensen, Managing Director, Danish District Heating Association (Dansk Fjernvarme)
Klaus Winther, Head of Fynsværket (Fyn Power Station), Vattenfall Denmark
Knud Sloth, Director, Utility Administration, Aalborg Municipality
Lotte Holmberg Rasmussen, MSc (Engineering), Nordjysk Elhandel
Marianne Eriksen, Senior Consultant, Norenergi
Michael Mikkelsen, Managing Director, Scanenergi
Niels Erik Andersen, Managing Director, HMN Naturgas I/S
Svend Erik Jensen, the Danish Consumer Council

Financial review

The profit for the year was DKK 128 million after tax compared to a profit of DKK 695 million after tax in 2010.
The profit for the year was on a par with expectations and is deemed to be satisfactory.
Profit for the year is distributed as follows on the business segments:

Segmental income statement

Amounts in DKK million	Power system	PSO	Gas system	Commercial activities	Elimination	Annual report 2011	Annual report 2010
Tariff revenue	2,555	2,601	609	0	0	5,765	6,113
Sale of electricity from wind turbines and other RE facilities	0	456	0	0	0	456	628
Sale of electricity from local CHP plants	0	130	0	0	0	130	134
Congestion rents	623	0	0	0	0	623	847
Fee for balancing the power system	50	0	0	0	0	50	417
Power generation subsidies	110	0	0	0	0	110	126
Other income	53	0	19	249	(86)	235	215
Revenue	**3,391**	**3,187**	**628**	**249**	**(86)**	**7,369**	**8,480**
Excess revenue/deficit	(13)	696	(153)	0	0	530	158
EU grants	8	0	213	0	0	221	0
Other operating income	0	0	132	9	0	141	9
Total revenue	**3,386**	**3,883**	**820**	**258**	**(86)**	**8,261**	**8,647**
Subsidies for renewable energy production	(109)	(2,438)	0	0	0	(2,547)	(2,467)
Purchase of electricity	0	(968)	0	0	0	(968)	(647)
Funding for research and development	0	(186)	0	0	0	(186)	(201)
Other PSO costs	0	(209)	0	0	0	(209)	(38)
Compensation for grid losses	(361)	0	0	0	0	(361)	(404)
Purchase of regulating power	27	0	0	0	0	27	(277)
Payment for the 132/150 kV grids	(538)	0	0	0	0	(538)	(493)
Payment for reserves/storage capacity	(922)	0	(276)	0	62	(1,136)	(1,012)
Expenses related to foreign grids	(42)	0	0	0	0	(42)	(117)
Payment for inspections	(37)	0	(11)	0	0	(48)	(100)
Other external operating expenses	(252)	0	(55)	(35)	24	(318)	(353)
Total external expenses	**(2,234)**	**(3,801)**	**(342)**	**(35)**	**86**	**(6,326)**	**(6,109)**
Staff costs	(230)	0	(80)	(10)	0	(320)	(308)
Total costs/expenses	**(2,464)**	**(3,801)**	**(422)**	**(45)**	**86**	**(6,646)**	**(6,417)**
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	(582)	(46)	(124)	(114)	0	(866)	(1,144)
Profit before net financials	**340**	**36**	**274**	**99**	**0**	**749**	**1,086**
Net financials	(155)	(36)	(88)	(63)	0	(342)	(302)
Pre-tax profit	**185**	**0**	**186**	**36**	**0**	**407**	**784**
Tax on profit for the year	(221)	0	(40)	(18)	0	(279)	(89)
Profit/(loss) for the year	**(36)**	**0**	**146**	**18**	**0**	**128**	**695***

*) The comparative figures have been restated as a consequence of the changed accounting policies. Reference is made to the section 'Accounting policies'.

With the exception of its commercial activities, Energinet.dk is subject to a break-even principle for all the segments. The principle entails that profit or loss for the year consists solely of the statutory capitalisation of the contributed capital, the profit or loss from commercial activities as well as other adjustments not included in the tariffs to be paid by the customers in coming years. Energinet.dk ensures the regulatory balance via the tariffs announced on an ongoing basis.

Temporary differences between revenue and expenses are considered as either receivables from or debt to the consumers – also called excess revenue/deficit – and will therefore not affect the profit or loss for the year, but merely constitute a periodical change in liquidity between the years, depending on the difference between expenses incurred and tariffs charged. Comments on the operating profit and the expenses incurred by Energinet.dk's four business segments are provided in the following sections in the financial review.

The change in earnings performance from 2010 of DKK 695 million to DKK 128 million in 2011 is primarily attributable to a higher proportion of the congestion rents received being included in the tariffs in 2011 than was the case in 2010. The annual transfers to reserves for future investments in congestion rents dropped from DKK 559 million in 2010 to DKK 122 million in 2011. In addition, the profit in 2011 was positively impacted by grants received from the EU Economic Recovery Plan totalling DKK 221 million. The tax for the year was negatively impacted by DKK 154 million due to a decision in a tax case from 2004 concerning transit of electricity.

Comments on other items

No comments are provided on the following items in the sections below on business segments:

Net financials

The development in net financials covers a reduction in interest expenses as a result of a lower interest rate level in general offset by a payment of interest to SKAT due to a changed tax assessment for the years 2006-2010.

Tax on profit for the year

Tax on profit for the year was DKK 279 million, which corresponds to an effective tax rate of 68%. The difference between the effective tax rate and the corporation tax rate of 25% is primarily the result of Energinet.dk losing a case in 2011 before the Danish National Tax Tribunal concerning an agreement on transit of electricity through Jutland, thus forfeiting the right of amortisation and depreciation in respect of this agreement. This impacted tax on profit for the year by DKK 154 million, corresponding to 37% of the total tax rate. Taxes paid in 2011 amounted to DKK 728 million. Taxes paid were affected by a changed tax assessment for the years 2006-2010 concerning taxation of congestion rents transferred to reserves. Residual tax in respect of previous years amounts to DKK 457 million.

Debt and financial issues

Group interest-bearing debt rose by DKK 1,631 million from DKK 8,655 million in 2010 to DKK 10,286 million in 2011. The increase is primarily attributable to increased investment activity and tax payments.

At the beginning of the year, 27% of the interest-bearing debt was floating-rate debt, and this share increased to 30% at the end of the year. A changed loan composition has increased the duration of the interest-bearing debt from 3.71 years in 2010 to 4.43 years in 2011.

The average effective borrowing rate for the Group interest-bearing debt was 3.45% in 2011. By way of comparison, the average effective borrowing rate for interest-bearing debt was 3.69% in 2010.

Cash flow statement

Changes in cash and cash equivalents for the year constituted a decrease of DKK 380 million, with cash flows from operating activities constituting DKK 101 million in 2011 as opposed to DKK 1,937 million in 2010.

The decrease in cash flows for the year is primarily attributable to the deficit in the PSO segment and the taxes paid. Cash flows from financing activities constituted DKK 1,544 million. New loans were taken out with Nationalbanken for a total nominal amount of DKK 2,000 million.

Outlook 2012

The Energinet.dk Group expects the cost level in 2012 to be on a par with 2011.

The investment level in 2012 is expected to be roughly double the level in 2010 because of a number of major capital investments in the electricity and gas systems.

Energinet.dk has submitted a bid for the 132 and 150 kV grids owned by the ten regional transmission companies, and the takeover is expected to take place in the second quarter of 2012. The acquisition is not expected to impact the tariffs in 2012, as the costs of availability payments for the grid are discontinued and are replaced by financing costs, depreciation and amortisation, operating expenses etc.

Events after the balance sheet date

No significant events have occurred after the balance sheet date that affect the fair presentation at 31 December 2011 of the Group's and the Parent's assets, liabilities and financial position and the results of the Group's and the Parent's activities.

Business segments

Power system

Energinet.dk owns, operates and develops the Danish high-voltage electricity transmission grid – the energy 'motorways' – as well as the interconnections to Sweden, Norway and Germany. The enterprise is responsible ensuring the sufficient supply of electricity and for a well-functioning electricity market.

Electricity consumers pay for these services via grid and system tariffs.

Energinet.dk's power system

Approx. 1,500 km of overhead lines
Approx. 600 km of submarine and land cables
60 substations and converter substations
5 international interconnections

Business segment – key figures

Revenue 2011:	DKK 3,391 million
Non-current assets, end 2011	DKK 12,082 million

Business segment

Power system of tomorrow

Energinet.dk handles power system operations, ensures sufficient power generation capacity and integrates large volumes of wind power and local CHP production all at the same time. The electricity infrastructure must therefore support the increased utilisation of renewable energy, which is currently placing the system under new pressures.

The increasing use of renewables in Denmark and the rest of the EU, especially wind power, accentuates the need for a strong European transmission grid for cross-border exchanges of electricity. As wind power production fluctuates widely, the need for imports and exports to and from neighbouring countries grows. Energinet.dk works with the TSOs in neighbouring countries which own and operate the electricity transmission grids on developing the transnational electricity connections. Decisions to expand the transmission grid are made out of consideration for security of supply, to improve the functioning of the market and to make a positive contribution to the national economies.

Security of supply

A stable and well-functioning power system is crucial to modern society. Consequently, security of supply now, in the near future and in the long term is a core concern for Energinet.dk. A high level of security of supply is maintained, in particular, through the efficient daily operation of the system, through the optimised maintenance of the electricity transmission grid, collaboration with neighbouring TSOs and through the procurement of ancillary services to perfectly balance electricity consumption and electricity generation at all hours of the day and night.

Moreover, Energinet.dk is chiefly responsible for the emergency preparedness of the Danish electricity sector and for coordinating and monitoring the sector's emergency preparedness before, during and after a critical situation. Emergency preparedness means that the energy system is monitored at all times and that plans are in place which stipulate how to re-establish supplies in the event of disruptions.

Well-functioning electricity market

Well-functioning international markets are a prerequisite for Danish households, enterprises and institutions being able to purchase electricity at prices based on genuine and fair competition. For this reason, Energinet.dk is constantly engaged in developing the market design. Much of the work takes the form of partnership projects with other members of ENTSO-E, the European Network of Transmission System Operators. The aim is to ensure that the frameworks established for the future regional and international markets will be of benefit to Denmark.

Own R&D programmes

Energinet.dk is obliged to launch R&D projects in order to maintain the high level of security of supply and developing the power system for the benefit of society and the environment. Many activities are undertaken in collaboration with external partners and research institutions, the purpose being to gain access to international-class research and to contribute Danish resources to large-scale projects in cooperation with other countries.

Facts

Ancillary services

Administration of the Danish Promotion of Renewable Energy Act

Energinet.dk administers four schemes under the Danish Promotion of Renewable Energy Act (*Lov om fremme af vedvarende energi*), which supports the erection of land-based wind turbines: a guarantee scheme, a green scheme, an option-to-purchase scheme and a loss-of-value scheme. In 2011, Energinet.dk considered 35 wind turbine projects with a combined capacity of 562 MW under these schemes. This represents a 34% increase on 2010.

Events and investments in 2011

Security of supply

As has been the case for many years, Energinet.dk maintained a high level of security of supply in 2011; no consumers experienced power cuts due to faults in the main electricity transmission grid.

However, the electricity supply is challenged at the moment by, firstly, an increase in electricity generation from fluctuating sources, especially wind power, and, secondly, by the decommissioning of a number of large Danish power stations. Most recently, a decision has been made to decommission two power stations at the end of 2012, while one more power station is due to be decommissioned. These developments affect the power balance, ie the question of whether sufficient capacity is available at the Danish electricity-generating units, supplemented with imports from neighbouring countries to meet the Danish demand for electricity. Energinet.dk carries out analyses to establish whether market initiatives can be introduced, or whether calls for new power station capacity may be issued etc. to com-

Energinet.dk needs ancillary services in the form of reserves and regulating power to balance electricity consumption and electricity generation, handle operational disturbances and ensure the electricity quality.

The reserves are divided into a number of categories depending on required response times and load handling requirements.

Energinet.dk buys reserves from the generators, which charge for making reserve capacity available on their plants. Moreover, Energinet.dk pays to use the reserve capacity as and when required. The reserves are financed by tariffs levied on electricity consumers.

Any imbalances in the power system arising because the balance-responsible parties' plans for buying and selling electricity do not match the electricity consumption and generation during the day of operation are balanced by Energinet.dk by means of regulating power. Regulating power comprises both the market players' voluntary bids for upward and downward regulation during the day of operation and reserves which Energinet.dk buys on the day before to ensure that a balance can be created during the day of operation. Energinet.dk's regulating power costs are financed by the balance-responsible players, primarily the large electricity generators and traders.

Figure 4: Costs of power system reserves

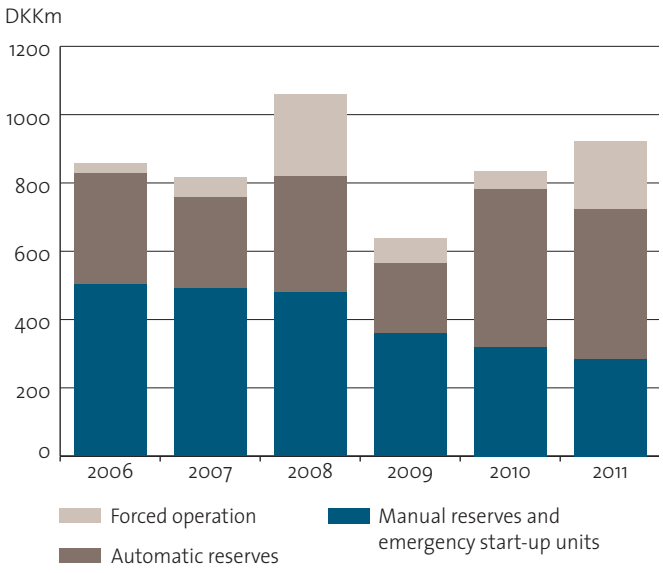


Table 3: Electricity transmission in 2010 and 2011

GWh	2011	2010
Transmission in electricity transmission grid	44,623	47,129
Imports (from Nordic countries and Germany)	11,667	10,630
Exports (to Nordic countries and Germany)	10,406	11,765
Consumption (incl. grid losses)	**34,356**	**35,498**

pensate for the decommissioning of old power stations. Also, the decommissioning of power stations restricts Energinet.dk's access to regulating the electrical voltage in the power system. Against this background, a synchronous condenser was bought for the 400 kV Bjæverskov substation on Zealand in early 2012. The installation is needed for voltage regulation as well as for the future operation of the DC connections between Eastern and Western Denmark and between Eastern Denmark and Germany.

Energinet.dk ensures the daily operation of the power system by means of ancillary services in the form of reserves and regulating power, thereby compensating for fluctuations in wind power generation. Overall, the costs of reserves are up due to a fall in the number of Danish power stations which can supply the services, see Figure 4. 2011 saw the adoption of a new strategy for the purchasing of reserves. The strategy aims to gain access to the necessary reserve capacity via larger markets, thus ensuring efficient competition and thus a fair price. At the same time, a larger market will mean a larger market for Danish suppliers of ancillary services. Increased internationalisation is an important means of achieving this.

In 2011, a key step was taken towards reducing the need for ancillary services. Since November 2011, Energinet.dk and TenneT, the TSO in Northern Germany, have equalised opposing imbalances in the two power systems. In other words, a power surplus in one country is counterbalanced by a power deficit in the other country. This reduces the need to regulate electricity generation and electricity consumption on both sides of the border.

Danish electricity market

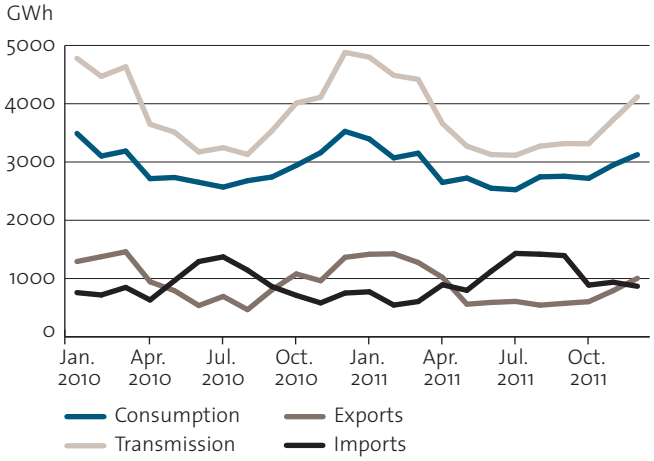
In August 2010, Energinet.dk established a grid connection between the two Danish price areas in Eastern and Western Denmark, the Great Belt Power Link. The new connection has meant a greater convergence of wholesale prices for electricity in 2011 in the two areas than was previously the case. Thus, in 2011 the average wholesale price of electricity in Western Denmark was DKK 0.357/kWh, while the price in Eastern Denmark was DKK 0.368 per kWh. In 2010, the prices were DKK 0.346/kWh in Western Denmark and DKK 0.424/kWh in Eastern Denmark.

Since November 2011, price developments, especially in Eastern Denmark, have also been affected by the fact that Sweden has been divided into four price areas. This has resulted in a clear convergence of prices in Eastern Denmark and in the new price area in Southern Sweden. The creation of the price areas is an important step forward when it comes to removing obstacles to the internal electricity market in Northern Europe.

Market coupling

In Europe, concerted efforts are being devoted to developing a common electricity market for the whole of the EU. Regionally, the coupling of the markets is already progressing, and in November 2010 a temporary solution was established coupling the Nordic spot markets and the central and western European area (known as CWE). It is a well-functioning solution, which has improved the utilisation of the transmission lines. The aim is to implement a permanent solution by the end of 2012. Also, efforts are going into establishing a common market for intraday trading in electricity between the Nordic and CWE regions.

Figure 5: Electricity transmission 2010 and 2011



Developing the retail market

Energinet.dk has launched a number of initiatives aimed at supporting competition in the retail market for electricity.

From October 2012, the data collection system which Energinet.dk is developing together with other players in the Danish electricity market will simplify communication between the parties in the electricity market. The so-called DataHub provides all consumers with access to their own consumption data as all Danish electricity meter readings are fed to the hub. Moreover, it may facilitate the transition to a single-invoicing model, whereby consumers are invoiced jointly by their electricity supplier and grid company, no matter who their electricity supplier is.

With growing volumes of fluctuating energy, especially in the form of wind power, it is becoming increasingly important that electricity demand follows supply and is shifted from times with low electricity production from renewables to times of high electricity production. With the introduction of demand consumption, the utilisation of both wind power and the electricity grid can be optimised. For consumers to change their consumption patterns, financial incentives must be offered. Energinet.dk and the Danish Energy Association are working together to find out whether a new settlement system can be established which can make demand response attractive to small and medium-sized customers with hour meters.

Construction projects

Energinet.dk is currently expanding transmission capacity in Jutland and between Jutland and Norway. In Jutland, the vital connection between Kassø at Aabenraa and Tjele near Viborg is being replaced by a new and stronger connection dimensioned to transmit three times as much electricity as the existing 400 kV line. Most of the connection will be installed as overhead lines on newly designed towers. The project started in early 2012 and is expected to be completed in 2014.

Between Tjele and Kristiansand in Norway, Energinet.dk and the Norwegian TSO Statnett are increasing capacity with the laying of a new cable – Skagerrak 4. The new cable will increase transmission capacity between Denmark and Norway by 70%. It is expected to be ready for operation in 2014.

Transmission capacity between Jutland and Germany is also due to be expanded. In 2008, Energinet.dk and the North German TSO TenneT decided to upgrade the existing 400 kV connections in 2012. Moreover, Energinet.dk and TenneT are working together to assess the potential of a new transmission line between Jutland and Germany in the western part of Southern Jutland.

Finally, Energinet.dk is working with the Dutch TSO TenneT to establish the first direct electrical connection between the Netherlands and Jutland, known as the COBRAcable. The connection will improve the coherence of the North European transmission grid and will be of immense socio-economic value to Denmark. A decision on whether or not to invest in this is expected to be made in 2014. The project has been granted funding from the European Economic Recovery Plan covering approx. 20% of the investment.

Table 4: Significant construction projects in power system

Amounts in DKK million	Realised 2011	Total budget	Expected commissioning
Grid connection of Anholt offshore wind farm	585	1,319	2012
New 400 kV connection, Kassø-Tjele	368	2,955	2014
Submarine cable to Norway, Skagerrak 4	325	1,812	2015
DataHub	48	116	2012

Table 5: Major development projects, electricity

Amounts in DKK million	
Cell Project	11.3
EcoGrid EU	2.0
Heat pump project	1.4
TWENTIES	1.4
Smart Grid	1.3
Other projects	34.5
Total development activities	**51.9**

When new large offshore wind farms are built, Energinet.dk is responsible for constructing the facilities for connecting the wind farms to the electricity grid on land. In the spring of 2011, Energinet.dk started constructing the landing facilities for the new offshore wind farm off the island of Anholt. The installations will be ready on 1 August 2012, which is the date fixed by DONG Energy for commissioning the first wind turbines at the 400 MW wind farm.

Based on a political agreement on the guidelines for the future expansion of the electricity transmission grid which the parties behind the energy agreement from 2008 entered into in the autumn of 2008, Energinet.dk and the relevant authorities are planning to visually enhance the 400 kV grid in six selected areas. The visual enhancement will take the form of either undergrounding of the cables or adjustments to the routing. In planning the visual enhancements, Energinet.dk is ensuring that the solutions will also help future-proof the transmission grid.

As part of the same political agreement, it has also been decided to replace the entire 132 and 150 kV grids with a new cable-based grid. The works, which will be implemented over a period of 20 years, will be undertaken in collaboration with the regional transmission companies. While visually enhancing the landscape, the undergrounding of cables means that Denmark gains a new transmission grid which is designed to help handling increasing volumes of wind power.

Development activities

The planning of the power system of tomorrow is in full swing, and Energinet.dk is continuously launching development activities to support the transition to an power system which, by 2020, is expected to accommodate almost twice as much wind power as is the case today, and where the ambition is that by 2050 the entire energy system will be based on renewables. Three measures will ensure a successful transition: Robust electricity transmission grids and strong interconnections to other countries underpin the transition. This is the reason why Energinet.dk is expanding both the Danish electricity transmission grid and the international transmission lines.

Flexibility and effective interaction must be enabled between the three energy systems (electricity/gas, heating and transport). In future, one of the main challenges will be to store large volumes of electricity for long periods of time with a view to balancing the power system and make it less dependent on the volumes of wind power available at any given moment. For this purpose, the heating system, and especially the gas system, can provide storage capacity for the power system as electricity can be converted into gas and vice versa, and gas is storable. This technology is expected to be the topic of several R&D projects in Energinet.dk in the coming years.

Finally, the intelligent power system, which features communication between power generation, power consumption and the other power system components – known as Smart Grid – is a prerequisite for converting the energy system.

Developing the intelligent power system is absolutely central to the development activities, and through its participation in

Table 6: Key figures for Power system segment

(amounts in DKKm)	2011	2010	2009	2008	2007
Income statement					
Revenue	3,391	3,674	3,843	4,051	3,164
Excess revenue/deficit for the year	(13)	455	(365)	366	(352)
Operating profit/loss	340	775	365	743	(477)
Net financials	(155)	(105)	(102)	(110)	(39)
Profit/(loss) for the year	(36)	650	153	594	(7)
Balance sheet					
Non-current assets	12,082	10,560	9,957	9,290	6,669
Current assets	1,671	1,426	1,064	1,205	1,887
Accumulated excess revenue/ deficit	468	263	(192)	173	(193)
Balance sheet total	13,753	11,986	11,021	10,495	8,556
Interest-bearing debt	5,533	3,693	3,744	3,895	2,210
Equity	5,166	5,202	4,706	4,539	3,961
Other financial key ratios					
Tariff (øre per kWh)	7.4	6.3	7.4	5.9	5.5

Table 7: Revenue from Power system segment

Amounts in DKK million	2011	2010
Tariff income	2,555	2,262
Congestion rent	623	847
Power generation subsidies	110	126
Other income	103	439
Total revenue	**3,391**	**3,674**

the Danish Minister for Climate, Energy and Building's Smart Grid Network, Energinet.dk has helped prepare a number of recommendations for realising the Smart Grid.

In 2011, Energinet.dk completed a unique development project on the Smart Grid technology with the final testing of the so-called cell controller. The cell controller is a prototype of the Smart Grid of the future.

2011 also saw the start of the realisation of the largest Smart Grid project so far, the EcoGrid EU, on the island of Bornholm. Based on advanced Smart Grid technologies, EcoGrid EU is a full-scale demonstration of a power system with a renewable energy share of more than 50% and with electricity customers as active consumers. Energinet.dk is behind the project, which involves a large number of European partners. The project is partly funded by the EU, which covers approx. half the project costs.

The heat pump project is a project undertaken jointly with the Danish Energy Agency which looks at the installation of heat pumps as part of integrating the energy systems.

TWENTIES is an international EU project aiming to develop new model and operational support tools for a power system with a very high penetration of power generated from wind farms and their joint operation with thermal plants. The project is designed to identify and remove barriers to the large-scale integration of more wind power into the European power system.

The power system of tomorrow is not just intelligent; it is also largely invisible as the vision is for an undergrounded 400 kV grid. However, so far the technology for undergrounding of long stretches of the 400 kV grid is not sufficiently mature for the financially viable undergrounding and operation of long 400 kV cables to be possible. Energinet.dk is therefore spearheading a number of development projects aimed at developing and implementing technologies for long AC cables.

Energinet.dk is also involved in a large number of minor development activities. For example, several activities are aimed at streamlining the procurement and use of ancillary services, model tools for planning the power system of tomorrow are being developed, and a large project is directed at optimising the operation and maintenance of the electricity grid. Finally, Energinet.dk is involved in a number of international development activities.

Financial results for 2011

In 2011, revenue of DKK 3,391 million was generated by the business segment, while a loss of DKK 36 million after tax was realised. The business segment is managed according to a break-even principle.

Revenue primarily takes the form of tariffs, but Energinet.dk also realises congestion rents and other income, including revenue from the balance market and power generation subsidies granted by the Danish Energy Agency in support of local electricity generation.

Table 8: Costs of Power system segment

Key figures (amounts in DKKm)	2011	2010
Payment for reserves/storage capacity	922	834
Payment for the 132/150 kV grid	538	493
Purchase of electricity (regulating power and grid losses)	334	643
Subsidies for renewable energy generation	109	126
Other external expenses	331	430
Staff costs	230	223
Total costs	**2,464**	**2,749**

Revenue fell by DKK 283 million relative to 2010, which can be attributed to a number of factors:

On the one hand, tariff revenue was up DKK 293 million relative to the year before. The increase can primarily be ascribed to the fact the Energinet.dk's tariff revenue in 2010 could not cover costs, among other things due to the allocation of provisions for future investments in the power grid. It was therefore necessary to increase the grid and system tariff from DKK 0.063 per kWh in 2010 to DKK 0.074 per kWh in 2011.

On the other hand, congestion rents fell by DKK 224 million, primarily due to a narrowing of the price differences between Denmark and its neighbouring countries from 2010 to 2011. Moreover, the balancing costs declined by DKK 343 million. However, this is counterbalanced by a similar drop in the costs of regulating power, which is one of the ancillary services used to maintain system balance.

Costs mainly take the form of purchases of ancillary services, availability payments for the 132/150 kV grids, coverage of grid losses and other operating costs, see Table 8.

Total costs fell by DKK 285 million from 2010 to 2011, which is primarily due to a reduction in the costs of regulating power and expenses relating to non-Danish grids.

On the other hand, the costs of other ancillary services increased in 2011 relative to 2010. The increase is primarily attributable to a growing need for reserve capacity at the power stations and for forced operation. Also, the market is affected by the decommissioning of power stations, which is increasing demand and thus pushing up prices.

The accumulated deficit increased by DKK 205 million from 2010 to 2011.

Focus areas 2012

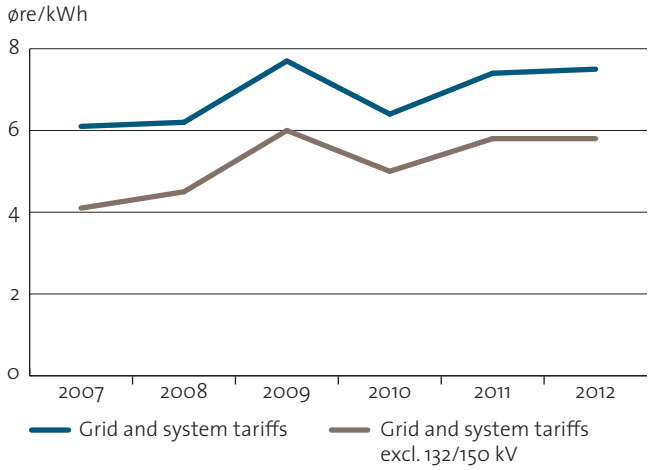
Securing sufficient power and energy in the power system is becoming an ever more central task as electricity generation units based on fluctuating energy replace conventional, dispatchable power stations. Energinet.dk will therefore continue to develop methods for handling this challenge.

Also, Energinet.dk will focus on further developing an effective control concept for operating the power system in step with the reserves for balancing the power system becoming fewer and more expensive.

Increasing volumes of wind power call for more flexible electricity generation and electricity consumption. Flexibility can be supported by an intelligent power system Smart Grid. Together with the grid companies, Energinet.dk will therefore continue the work on improving the Smart Grid.

In 2012, Energinet.dk will continue to invest in new electricity infrastructure which will both improve the scope for exchanging electricity between the countries in Northern Europe and help integrate Denmark's new offshore wind farms into the power grid.

Figure 6: Development in grid and system tariffs 2007-2012 (fixed 2011 prices)



Together with the German TSO 50Hertz Transmission, Energinet.dk is looking into the economics of establishing an offshore power grid to connect any Danish and German wind farms on Kriegers Flak with each other and with the grids in Denmark and Germany. At the same time, the offshore power grid may serve as an interconnection between the two countries. The decision whether or not to proceed with the offshore power grid is awaiting a political decision on whether to build a Danish offshore wind farm on Kriegers Flak. The project has received funding from the European Economic Recovery Plan.

Developing the European electricity market remains a focus area as a coherent European market with harmonised rules is an important precondition for ensuring a rational transition to renewable energy without unnecessary costs for consumers. Following the introduction of new EU legislation, which orders the electricity companies to unbundle the ownership of their transmission activities from their production and trading, Energinet.dk initiated negotiations in November 2011 with the owners of the ten regional electricity transmission companies in Denmark on the takeover of the regional transmission grids. Through the combined ownership of the regional electricity transmission grids and the main electricity transmission grid, a number of financial synergies can be achieved over a brief period of time which will ensure lower tariffs.

Outlook 2012

Energinet.dk's continuous efforts to improve efficiency are helping to stabilise costs despite increasing activity levels.

The costs of ancillary services are expected to fall, while operating and maintenance costs are expected to remain unchanged.

Energinet.dk has submitted a bid for the 132 and 150 kV grids owned by the regional transmission companies. The transaction will not affect tariffs in 2012 as the availability payments for the 132 and 150 kV grids will be replaced by financing costs, depreciation, operating expenses etc. If the bid is accepted, tariffs are expected to be reduced from 2013 onwards.

Based on a higher accumulated deficit in 2011, due among other things to the allocation of provisions for future investments and the break-even principle, the tariffs were generally increased by 0.002 per kWh to DKK 0.076 per kWh for 2012.

Investment levels will remain high in the coming years Important projects to be be commissioned in 2012 include the installations connecting the Anholt offshore wind farm to the power grid and the DataHub, while a number of large projects will be commissioned later, including Kassø-Tjele and Skagerrak 4. These are expected to be commissioned in 2013-2015.

Business segments

Promotion of environmentally friendly energy generation – PSO

On behalf of society, Energinet.dk has a statutory obligation to perform certain tasks which are primarily aimed at realising the energy polilcy ambition of strengthening the use of renewable energy sources. These tasks are known as the public service obligations (PSOs).

For these services, consumers pay the so-called PSO tariff.

Business segment – key figures

Revenue 2011:	DKK 3,187 million
Non-current assets, end of 2011:	DKK 503 million
Subsidies for renewable energy generation	DKK 1,438 million
Purchase of electricity (PO)	DKK 968 million
Subsidies for R&D	DKK 186 million
Other PSO costs	DKK 209 million

Figure 7: Subsidies for renewable energy production

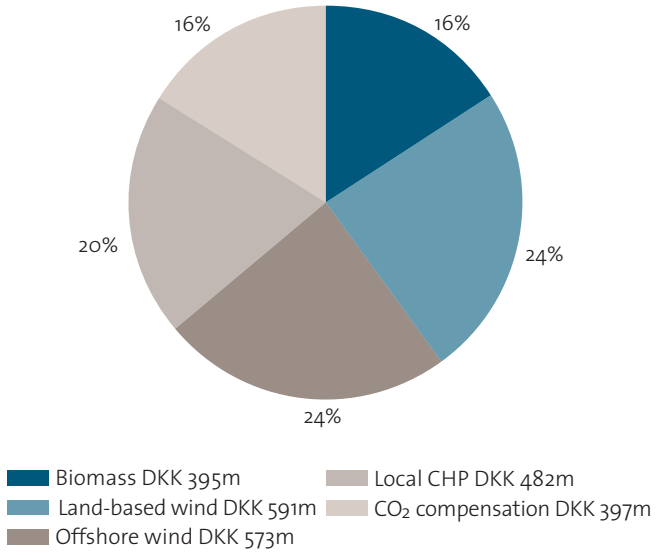
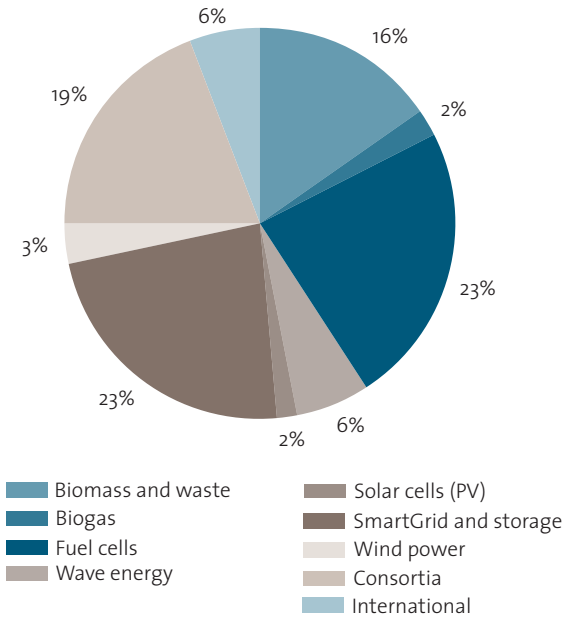


Figure 8: Allocation of ForskEL funding 2012



Business segment

Subsidies for environmentally friendly power generation

Energinet.dk provides subsidies for electricity generated by wind turbines and by local facilities fired with waste, gas or biomass. This is done by measuring the production of the wind turbines and facilities entitled to funding and and settling directly with the owners of the facilities.

The subsidies are settled according to two different principles: Wind turbines and local CHP plants selling their power generation on market terms receive the difference between the statutory settlement price and the market price at Nord Pool Spot. For other wind turbines and facilities, Energinet.dk buys the power generated and pays the statutory settlement price for it. Energinet.dk then sells the power on Nord Pool Spot.

Moreover, Energinet.dk pays compensation to local CHP plants which have paid CO_2 tax on fuels for power generation.

Subsidies for R&D

Energinet.dk has a politically determined annual budget of DKK 130 million for supporting R&D and the demonstration of environmentally friendly power generation technologies. The programme is known as ForskEL.

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

The programme initially covered the 2008-2011 period, and it has not yet been decided politically whether it is to continue.

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

Environmental reporting

Each year, Energinet.dk publishes a statutory environmental report providing a statement of emissions of substances harmful to the environment and to the climate from electricity and CHP generation in Denmark. Moreover, a 10-year forecast of developments in emissions is published. In addition to the statement of the environmental impact of the electricity sector, the report comprises a statement of Energinet.dk's own environmental impact in operating the electricity and natural gas transmission systems, and an environmental impact statement stating the environmental impact of consuming one kWh of electricity in Denmark.

The environmental report is published on 1 May each year, whereas the environmental impact statements are published on 1 March each year, both at www.energinet.dk.

Table 9: Key figures for Promotion of environmentally friendly energy – PSO segment

Amounts in DKK million	2011	2010	2009	2008	2007
Revenue	3,187	3,766	4,330	3,394	5,634
Excess revenue/deficit for the year	696	(190)	28	(27)	(410)
Balance sheet					
Non-current assets	503	493	673	1,089	1,482
Current assets	1,350	859	1,147	1,041	1,033
Accumulated excess revenue/ deficit	876	304	494	466	493
Balance sheet total	1,853	1,352	1,820	2,130	2,515
Interest-bearing debt	979	941	941	1,304	1,280
Equity	0	0	0	0	0
Other financial key ratios					
Tariff (average for the year) øre/ kWh	7.7	8.6	10.6	5.2	12.4

Table 10: Revenue from Promotion of environmentally friendly energy – PSO segment

Amounts in DKK million	2011	2010
Tariff revenue	2,601	3,004
Sale of electricity from wind turbines and other RE facilities	456	628
Sale of electricity from local CHP plants	130	134
Total revenue	**3,187**	**3,766**

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

ForskEL programme in 2011
In 2011, Energinet.dk received a total of 60 applications for funding under the ForskEL programme, of which 22 projects were granted a share of the available pool of DKK 130 million.

In recent years, much of the funding has been granted to projects looking into the integration of renewable energy. This was also the case in 2011, where almost one third of the funding was allocated to Smart Grid projects. Some of the funding went to a consortium which aims to demonstrate the intelligent control of flexible electricity consumption and electricity production.

The largest single amounts were given to a biomass and waste project and a fuel cell project. Wave power was the subject of many of the ForskEL applications. Five wave power projects were prioritised for funding.

Financial results for 2011

Segment revenue totalled DKK 3,187 million. The business segment is managed according to a break-even principle.

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

Total revenue was down DKK 579 million relative to 2010, mainly due to falling tariff revenue and a fall in sales of environmentally friendly power generation from especially wind turbines due to the fact that they have made the transition to selling electricity on market terms.

Costs consist chiefly of financial support for environmentally friendly power generation and research in new technologies for environmentally friendly power generation. The subsidies depend to a large extent on the electricity market price as Energinet.dk's subsidies are at their lowest when the electricity price is high and vice versa.

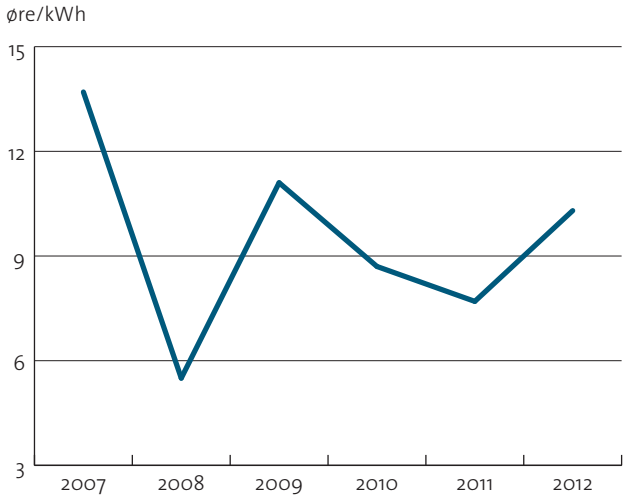
In 2011, Energinet.dk paid subsidies totalling DKK 2,438 million to generators of environmentally friendly power against DKK 2,341 million in 2010. The increase of DKK 97 million can be ascribed mainly to a number of newly connected wind turbines and biomass-fired electricity generation units.

In addition, payments to local CHP plants receiving compensation for their CO_2 taxes were up. In connection with the passing of the Danish Promotion of Renewable Energy Act in 2010, plants were able to apply to Energinet.dk for compensation for some of their CO_2 charges from 2010. The plants made increased use of this possibility in 2011, relative to 2010.

Table 11: Costs of Promotion of environmentally friendly energy – PSO segment

(amounts in DKKm)	2011	2010
Subsidies for renewable energy generation	2,438	2,341
Purchase of electricity (subject to purchase obligation)	968	647
Subsidies for R&D	186	201
Other PSO costs	209	138
Total costs	**3,801**	**3,327**

Figure 9: Development in PSO tariff 2007-2012 (fixed 2011 prices)



On the other hand, other costs fell in 2011 relative to 2010, which is primarily due to the discontinuation in 2011 of Energinet.dk's payments in respect of the plants' minimum generation capacity.

Due to lower revenue and larger subsidies for renewable energy, the deficit increased by DKK 572 million from 2010 to 2011, resulting in an accumulated deficit at the end of 2011 of DKK 876 million.

Focus areas 2012

In order to support the increased used of small private electricity-generating plants based on renewable energy, so-called micro units, as well as small PV installations, a new subsidy scheme was introduced in 2010. The scheme is administered by Energinet.dk. The scheme attracted markedly increased interest in 2011, and interest in establishing PV and micro units is expected to remain high in 2012.

Outlook 2012

The subsidies for wind power are expected to increase relative to 2011, partly because of more production from new land-based wind turbines that receive a fixed subsidy of DKK 0.25/kWh, and partly following the expected commissioning of the Anholt offshore wind farm in autumn 2012.

On the other hand, subsidies for wind turbines subject to a purchase obligation are expected to fall as they start operating on market terms due to use-up of all full-load hours or due to age.

At the beginning of 2012, an accumulated deficit was realised which is largely expected to be covered via the tariffs charged in 2012.

Business segments

Gas system

Energinet.dk owns, operates and develops the Danish gas transmission network and the international pipelines to Sweden and Germany.

The enterprise is responsible for ensuring that the gas transmission network is available to the commercial players, that capacity is sufficient to ensure the gas supply to Danish consumers and that the gas market is well-functioning.

For these services, consumers pay the so-called gas tariffs.

Energinet.dk's gas system

Approx. 860 km of gas pipelines
46 meter and regulator stations

Business segment – key figures

Revenue 2011:	DKK 628 million
Non-current assets, end of 2011	DKK 4,260 million

Figure 10: Costs of emergency supply in gas system

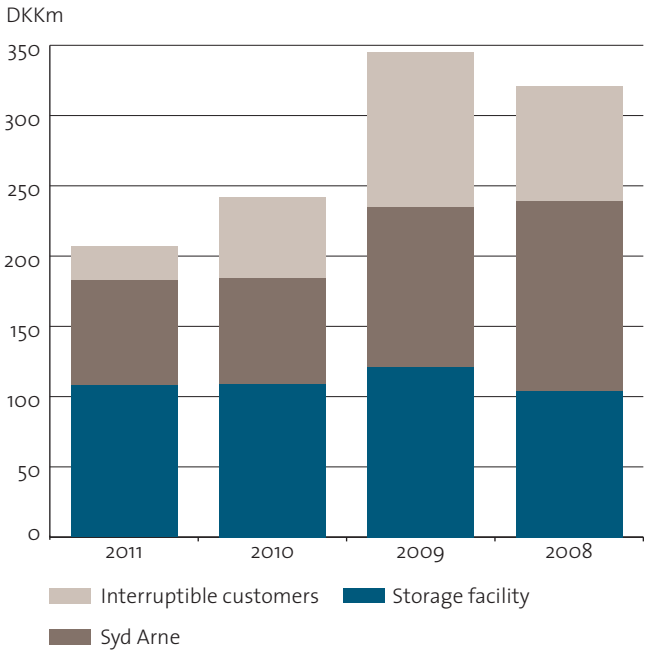


Table 12: Gas transport 2010 and 2011

(GWh)	2011	2010
Transport in gas transmission network	76,190	95,965
Imports (from Germany)	11,897	16,382
Exports (to Sweden and Germany)	36,004	46,687
Consumption	40,186	49,278

Business segment

Tomorrow's gas system

Energinet.dk must at the same time handle the operation of the gas system and make sufficient capacity available in the gas transmission system to ensure that a fall in Danish natural gas production does not disrupt supplies in Denmark and Southern Sweden, which receives all its gas supplies via Denmark. The gas infrastructure must therefore enable the short-term sourcing of natural gas from areas other than the North Sea. In the long term, the gas infrastructure must support the transition of the energy system to renewable energy.

Security of supply

Security of supply is a core concern for Energinet.dk, which is responsible for ensuring sufficient capacity for transporting gas to all gas consumers in Denmark and Southern Sweden.

Long-term security of supply must be ensured by adding the necessary gas infrastructure.

Daily security of supply is maintained through the efficient operation of the gas system, optimised maintenance of the gas transmission network and collaboration with neighbouring TSOs.

A well-functioning gas market

Well-functioning international gas markets are a precondition for Danish households, enterprises and institutions being able to purchase gas at prices based on genuine and fair competition. For this reason, Energinet.dk is engaged in developing and adapting the market design. Much of this work takes the form of partnership projects with other members of ENTSOG, the European Network of Transmission System Operators. The aim is to ensure that the frameworks established for the future regional and international markets will be of benefit to Denmark.

In Denmark, the gas market is developed in open dialogue between Energinet.dk, the national authorities and the commercial players in the gas market.

Events and investments in 2011

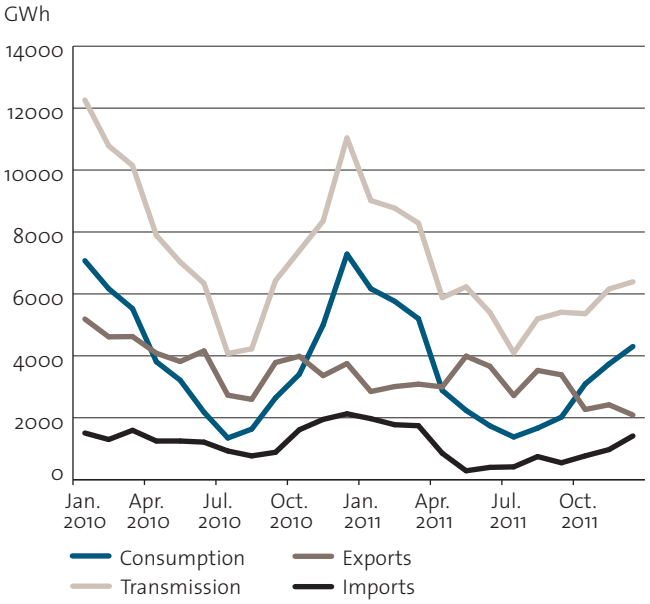
Security of supply and gas quality in 2011

As has been the case for many years, Energinet.dk maintained a high level of security of supply to gas consumers in 2011.

On two occasions, the gas supply from the North Sea was disrupted for more than 24 hours. In February, technical problems restricted gas production for three days. The incident coincided with a period of cold weather with high consumption. In December, high waves in the North Sea meant that gas production had to be reduced for just over 24 hours. In both cases, the gas supply to all consumers was maintained, among other things with supplies from Germany and from the two Danish natural gas storage facilities.

Since the establishment of the gas transmission network in the 1980s, Danish gas quality has been very high and uniform. However, imports of gas from Germany, which started in the autumn of 2010, have led to a more varied gas quality with a

Figure 11: Gas transport 2010-2011



Facts

Emergency supply

lower calorific value. This has affected consumers, especially in Southern Jutland, whose gas installations had to be adjusted to tolerate the greater variation in quality permitted by the Danish gas rules.

The tools used by Energinet.dk to ensure emergency supplies to customers in a critical situation can to some extent replace each other. Energinet.dk is constantly working to optimise its purchasing strategy to ensure that the cheapest possible capacity is always bought. In this context, it should be mentioned that the costs of emergency supplies have fallen for three consecutive years, see Figure 10.

At the end of 2010, the EU adopted a new security of gas supply regulation. The regulation introduces new, harmonised rules on emergency supplies in the member states. In outline, the gas supply to private consumers, small industrial enterprises, particularly vulnerable consumers and district heating plants is guaranteed in emergency supply situations. The regulation introduces the concepts of regional solidarity, and the Danish emergency supply measures should therefore also take the neighbouring countries into account. Finally, the new rules will change the distribution of responsibilities in respect of the Danish consumers' security of supply.

Energinet.dk and the Danish Energy Agency are currently investigating the full consequences of the regulation and will implement the necessary changes to the emergency supply model in collaboration with the gas sector. The first changes are expected to take effect from 1 October 2012, which is the commence-

Energinet.dk is responsible for the supply of gas to all Danish consumers in so-called emergency supply situations. These include all cases of serious disruption of the natural gas supply to Denmark, usually in combination with extremely low temperatures and high levels of consumption.

In emergency supply situations, supplies come from the two Danish natural gas storage facilities, from the Syd Arne pipeline in the North Sea and from Germany. Moreover, Energinet.dk has entered into contracts with the largest gas consumers which will interrupt or reduce their gas consumption in such situations.

Figure 12: Expected gas consumption and gas production from Danish North Sea fields 2012-2020

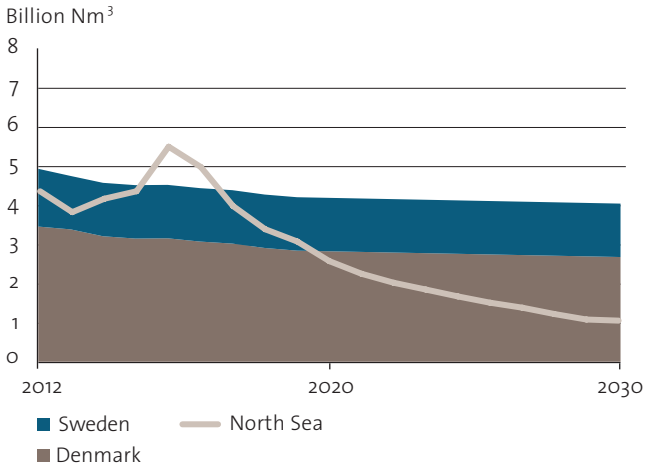


Table 13: Major construction projects, gas

Amounts in DKK million	Realised 2011	Total budget	Expected commissioning
Infrastructure gas pipeline Ellund-Egtved	372	1,681	2013

Table 14: Major development projects, gas

	Realised in 2011, DKKm
Biogas strategy	3.4
New emergency supply scheme	2.7
Gas exchange and market development	2.6
Other projects	3.9
Total development activities	**12.6**

ment date of the new regulations in respect of particularly vulnerable consumers and a new crisis management structure. The system will undergo various adjustments over the coming years, probably up until 2014/15 when the conditions for emergency gas supplies will change markedly. The expected changes will be brought about by the commissioning of a new compressor station in Egtved and by the fact that production will by then have started up at new gas fields in the North Sea.

Danish gas market in 2011

The cold winter in 2010/11 resulted in a strong demand for gas in Denmark and Southern Sweden, and between the end of December and the beginning of January the highest gas consumption ever was measured. At the same time, supplies from the North Sea did, for the first time ever, not reach normal levels at times of very high demand. Finally, storage facilities were not particularly full due to the early start of winter. All in all, these factors led to a strong call in the market for gas imports from Germany. This resulted in congestion on the Danish/German border. The limited supply meant that prices at the Nord Pool Gas exchange were approximately 70% higher than in Germany and the Netherlands at this time. Normally, they are approx. 5-10% higher.

Then followed a period when gas was imported from Germany with only little congestion. From around 1 April until mid-November, gas was exported to Germany, after which imports resumed. However, no congestion (insufficient capacity) has been experienced on the Danish/German border at Ellund since mid-February.

Since February, the Nord Pool Gas prices have been very similar to the gas trading prices in Germany and the Netherlands with hardly any of the price discrepancies previously seen between the exchanges. In 2010, the Nord Pool Gas price was typically EUR 0.5-1/MWh higher than the European prices, while prices were identical for long periods of 2011. For short intervals, the Nord Pool Gas price was even lower than the German and Dutch prices. This is probably due to the fact that the market is now able to import gas physically from Germany, which has coupled Denmark and Europe closer.

In June 2011, Energinet.dk temporarily suspended the annual contracts at the Ellund to Germany and Dragør to Sweden cross-border points. This was done to prepare for the achievement of the overall objective for Danish and European market development, namely to make it possible for customers to order capacity as a single product on both sides of the border by means of auctions. Annual contracts will be reintroduced in 2012 when the old capacity contracts expire and it is possible to couple up with Germany capacity.

The introduction of transport capacity auctions between the European countries will ensure interaction between the national gas systems and more transparent competition in the gas market. Work on the new rules is anchored in ENTSOG, the European Network of Gas Transmission System Operators. The change applies until pan-European rules make it possible to order capacity as a single product across the borders. Energinet.dk is continuing its dialogue with the neighbouring countries and is working to find a broader regional solution via the ENTSOG network.

Table 15: Key figures for Gas system segment

Amounts in DKK million	2011	2010	2009	2008	2007
Income statement					
Revenue	628	881	805	747	826
Excess revenue/deficit for the year	(153)	(107)	74	(23)	(218)
Operating profit/loss	274	180	78	(9)	(4)
Net financials	(88)	(89)	(91)	(142)	(116)
Profit /(loss) for the year	146	36	13	(120)	(36)
Balance sheet					
Non-current assets	4,260	4,073	4,035	4,344	4,407
Current assets	431	591	435	383	769
Accumulated excess revenue/ deficit	(508)	(261)	(154)	(228)	(205)
Balance sheet total	4,691	4,664	4,470	4,727	5,176
Interest-bearing debt	2,183	2,297	2,762	2,829	2,823
vEquity	499	353	317	297	423
Other financial key ratios					
Capacity payments, DKK/kWh/t/ year	10.54	10.54	11.54	8.58	14.01
Volume payments, øre/kWh	0.12	0.12	0.12	0.10	0.15
Emergency supply payments, øre/ kWh	0.58	0.82	0.71	0.61	-

Table 16: Revenue from Gas system segment

Amounts in DKK million	2011	2010
Tariff revenue	609	841
Other income	19	40
Total revenue	**628**	**881**
Excess revenue/deficit	(153)	(107)
EU grants	213	0
Other operating income	132	0
Total revenue	**820**	**774**

Construction projects

In the spring of 2011, Energinet.dk commenced the construction of a new compressor station on its site in Egtved. In conjunction with a looping of the gas pipelines from Egtved to Ellund on the Danish/German border, the compressor station should increase import capacity from Germany. The project is expected to be completed in autumn 2013. An increase in import capacity is necessary because gas production in the Danish part of the North Sea is declining fast, and within a few years production is expected to be unable to keep up with demand in the Danish/ Swedish gas market. The capacity expansion was decided in connection with a so-called Open Season bidding process in 2009 where market players called for an increase in capacity under binding contracts for terms of up to 10 years in both Germany and Denmark.

Expansion of the gas system in Southern Jutland is thus an important precondition for ensuring future gas supplies to Danish and Swedish consumers, see Figure 12. At the same time, gas supplies from several sources and suppliers increase security of supply, while also intensifying competition.

The project has been granted EUR 100 million in funding from the European Economic Recovery Plan, corresponding to just under half of the investment.

For the full benefits of the increased Danish capacity to be reaped, the gas transmission network in Northern Germany must also be expanded. So far, Gasunie Deutschland, which owns the gas transmission network in Northern Germany, has decided to add a compressor station near Bremen, which will increase capacity to Denmark.

Development activities

Gas based on renewable energy can ensure a stable and flexible energy supply in tomorrow's fossil-free energy system. Thus, an important step was taken in 2011 when the waste-water utility Fredericia Spildevand and Dong Energy in 2011 supplied the first biogas to the Danish gas distribution network. The gas is produced at a waste-water plant and upgraded to natural gas quality. So far, biogas has been sold directly to local CHP plants, but a certification system introduced by Energinet.dk in the Danish gas market in 2011 facilitates the trade of bio natural gas (which is the name of the upgraded biogas).

To further promote the use of RE gases in the gas system, Energinet.dk has launched an initiative aimed at investigating the possibilities for improving the integration of biogas and other RE gases into the gas system. Among other things, an analysis is being carried out to establish whether it is socio-economically profitable to introduce biogas in the gas transmission network, or whether introducing biogas in clearly defined local gas networks would be more advantageous.

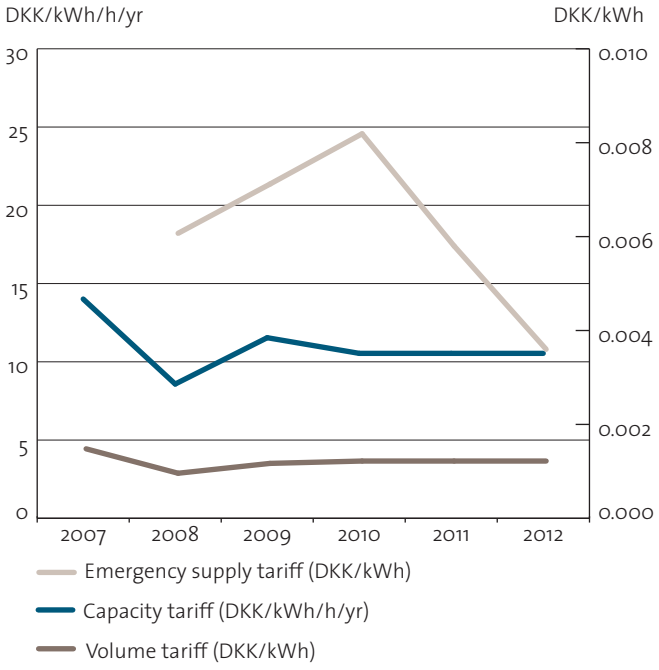
Financial results for 2011

Revenue fell from DKK 881 million in 2010 to DKK 628 million in 2011. The business segment is managed according to a break-even principle.

Table 17: Costs of Gas system segment

Amounts in DKK million	2011	2010
Storage costs	81	2
Emergency supply costs	206	242
External operating costs	55	60
Staff costs	80	75
Total costs	**422**	**379**

Figure 13: Development in gas transmission tariffs 2007/2008-



Tariff revenue fell from DKK 841 million in 2010 to DKK 609 million in 2011. The fall is primarily due to a drop in exports to Germany and a fall in Danish consumption. Moreover, the emergency supply tariff was reduced markedly in 2011, further exacerbating the decrease in revenue.

Other operating income and EU grants are up relative to 2010, primarily for two reasons. Firstly, Energinet.dk realised a profit on the extraordinary sale of emergency gas of DKK 132 million. The sale was made possible by a lowering of the reserve requirements following amendments to German legislation on emergency supplies and the improved availability of gas from Germany. Secondly, Energinet.dk received funding of DKK 213 million from the European Economic Recovery Plan earmarked for expanding the gas transmission network between Ellund and Egtved.

Storage and emergency supply service costs rose from DKK 244 million in 2010 to DKK 287 million in 2011. The DKK 43 million increase is primarily attributable to costs incidental to gas imports from Germany.

Depreciation and amortisation was down DKK 91 million from 2010 to 2011 due to the economic lives of the existing installations having been extended from 2029 until 2053 as a result of the investment in the gas transmission network between Ellund and Egtved. The investment improves the gas transmission system to Germany and is expected to ensure sufficient gas supplies up until 2053.

Total investments amounted to more than DKK 400 million in 2011 and related primarily to the Ellund-Egtved project.

At the end of 2011, excess revenue amounted to DKK 508 million compared to DKK 261 million in 2010.

Focus areas 2012

Energinet.dk constantly focuses on increasing the efficiency of its gas transmission business to ensure the lowest possible tariffs for customers. As regards emergency supplies, particular focus is on reducing the costs of procuring emergency supply tools.

In the next couple of years, the gas supply situation in Denmark and Southern Sweden may become strained on account of the fall in production from the Danish North Sea gas fields. Even though imports from Germany may make up for shortages in the course of any one year, the decline in the Danish gas production will hamper the flexibility of the gas market until the gas transmission system in Jutland and Northern Germany is expanded in 2013. Energinet.dk has therefore asked the market players to assess how they can ensure sufficient flexibility and sources of supply until 2013.

An expansion of the gas transmission network in Northern Germany over and above the adopted upgrade of a compressor station near Bremen will be decisive to the future supply situation in Denmark. This was confirmed by the European Network of Gas Transmission System Operator's (ENTSOG) 10-year plan for the development of the European gas system which was

published in 2011. Energinet.dk has taken a number of steps to encourage dialogue with German and Dutch decision-makers, and the endeavours to obtain confirmation of the German expansion plans will continue in 2012.

Energinet.dk is also looking at various possibilities for supplying Denmark with natural gas from Norway.

Until import capacity from Germany improves, dependence on the Danish gas storage facilities will grow. Moreover, the facilities will come to play an important role in transforming the energy system as the expansion of fluctuating wind power generation creates a need for storing large volumes of energy during windy periods and drawing on the flexibility offered by the storage of energy during less windy periods.

Market development is also expected to gain momentum in 2012. Recent EU legislation defines a number of targets for 2014 which will require the efforts and changes introduced in 2010-2011 to be intensified. Initiatives include the greater use of auctions for allocating transmission system capacity, while more work must be done on new mechanisms for handling congestion with a view to optimising capacity use.

Outlook 2012

Tariff revenue for 2012 is expected to fall relative to 2011; accumulated excess revenue was realised at the beginning of 2012, which will be repaid to consumers.

Activities concerning the compressor station in Egtved and the Egtved-to-Ellund gas pipeline will intensify, which means that more income from the European Economic Recovery Plan will be recognised in 2012. Energinet.dk expects to invest DKK 969 million in the Ellund-Egtved project in 2012.

Business segments

Commercial activities

Energinet.dk owns and manages two commercial companies, namely Energinet.dk Gaslager A/S, which administers the natural gas storage facility in Lille Torup and sells capacity on commercial terms, and Energinet.dk Associated Activities A/S, which leases capacity in optical fibre cables and sells consultancy services.

Business segment - Commercial activities

Gas storage facility: Capacity	696 million Nm^3
Revenue 2011:	DKK 249 million
Non-current assets, end of 2011	DKK 2,207 million

Table 18: Key figures for Commercial activities segment

Amounts in DKK million	2011	2010	2009	2008	2007
Income statement					
Revenue	249	253	251	240	172
Operating profit/(loss)	99	97	102	71	59
Net financials	(63)	(72)	(86)	(94)	(62)
Profit/(loss) for the year	18	11	1	(17)	50
Balance sheet					
Non-current assets	2,207	2,303	2,381	2,449	2,571
Current assets	3	55	37	27	76
Balance sheet total	2,210	2,359	2,418	2,476	2,647
Interest-bearing debt	1,591	1,724	1,791	1,826	1,915
Equity	4	35	46	45	63

Business segment

Energinet.dk Gaslager A/S

Energinet.dk Gaslager A/S is an Energinet.dk subsidiary tasked with selling storage capacity in the gas market on commercial terms. The gas is stored in seven caverns in a large subterranean salt dome. The gas storage facility in Lille Torup near Viborg is one of two facilities in Denmark.

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

Energinet.dk Associated Activities A/S

The subsidiary Fibertransmission.dk changed its name to Energinet.dk Associated Activities A/S in 2011 and drafted new articles of association.

Energinet.dk Associated Activities A/S leases out available capacity in the optical fibre cables which have been established in connection with Energinet.dk's electrical overhead lines and cables. Energinet.dk uses the fibre cables to operate and monitor the power system. The capacity which Energinet.dk does not utilise is leased out on commercial terms. Moreover, Energinet.dk leases out space for installing mobile antennas on its high-voltage pylons.

At the request of Danish industry, Energinet.dk also sells energy consultancy services within its core competencies in other countries, in particular its knowledge and experience of integrating renewables into the power system. Projects often involve knowledge transfer via clearly defined projects or general teaching and training activities.

Events and investments in 2011

Sale of gas storage capacity

Energinet.dk Gaslager A/S sells capacity at auctions. 2011 was still characterised by modest seasonal differences in the gas price. This meant that the auctions in March did not sell out completely. However, most of the unsold capacity was later sold on monthly contracts.

Maintenance of gas storage facility

In October 2011, the gas storage facility was granted permission by the environmental authorities to releach one of the seven caverns. Releaching is necessary because the caverns naturally shrink over time. In connection with the releaching, it is possible to replace certain safety components and to inspect pipes and components. This forms part of the necessary maintenance of the facility. The work started in December and is expected to take about one year.

Energinet.dk Gaslager A/S expects to subsequently be granted permission to releach the remaining caverns. All in all, this will increase storage capacity by 15%, which safeguards security of supply.

Sale of consultancy services

Energinet.dk Associated Activities has seen a strong demand for consultancy services during the first year.

Table 19: Revenue from Commercial activities segment

(amounts in DKKm)	2011	2010
Energinet.dk Gaslager A/S	244	248
Energinet.dk Associated Activities A/S	14	5
Total income	**258**	**253**

Table 20: Costs of Commercial activities segment

(amounts in DKKm)	2011	2010
Energinet.dk Gaslager A/S	35	42
Energinet.dk Associated Activities A/S	10	1
Total costs	**45**	**43**

Table 21: Operating profit/(loss) in Energinet.dk Associated Activities

Key figures (amounts in DKKm)	2011	2010
Fibre rent	4	4
Antenna rent	1	0
Consultancy services	(1)	0
Operating profit/loss	**4**	**4**

The largest assignment was undertaken on behalf of Eastern Africa Power Pool, a network of members from nine East African countries. Energinet.dk Gas Storage provided advice on how to operate and develop a coherent power system across national borders and with particular focus on cross-border trading to ensure stable and sufficient electricity supplies for the population. In Dubai, the Energinet.dk and two Belgian advisers are investigating the technical and economic consequences of integrating renewable energy into the energy system. Also, Energinet.dk has worked with other Danish advisers and companies on projects in Estonia, Belgium, Togo, East Africa, South Africa, Sri Lanka, China and Mexico. Energinet.dk is currently engaged in a new project involving the transfer of know-how on the grid connection of offshore wind farms.

Financial results for 2011

Energinet.dk Gaslager A/S

Revenue from storage services totalled DKK 242 million in 2011, which is on a par with 2010.

External costs and staff costs amounting to DKK 35 million have been realised, which is also on a par with 2010.

A profit of DKK 16 million was recorded, up DKK 7 million on 2010.

Equity was negatively impacted by unrealised fair value adjustments of financial instruments of DKK 28 million, which have been recognised in equity.

Energinet.dk Associated Activities A/S

Energinet Associated Activities A/S recorded total revenues of in 2011 of DKK 14 million, comprising revenue from consultancy services of DKK 5 million and lease income of DKK 9 million. Revenue is up DKK 9 million relative to 2010, due an increasing demand for consultancy services.

External costs of DKK 10 million were realised, up DKK 9 million on 2010. This is primarily attributable to costs associated with the increase in activity levels.

A DKK 2 million profit was realised, which is on a par with 2010. The consultancy business started up in 2011 and realised a minor loss in the first year. Activities are expected to generate a profit in future.

Focus areas 2012

Energinet.dk Gaslager A/S will continue to develop storage products in dialogue with customers. Because of this and the market conditions mentioned, Energinet.dk Gaslager A/S will develop more short products, while at the same time making it easier and swifter to buy these products. Revenue from consultancy services is expected to double in 2012. A number of projects in Europe, Africa, Central America and South America may be in the pipeline.

Outlook 2012

Energinet.dk Gaslager A/S and Energinet.dk Associated Activities A/S are expected to realise results in 2012 which are on a par with results for 2011.

Consolidated financial statements

Income statement

Note	Amounts in DKK million	2011	2010
	Tariff revenue, grid	2,555	2,262
	Tariff revenue, PSO	2,601	3,004
	Tariff revenue, gas transmission	609	841
	Congestion rents	623	847
	Fee income for balancing the power system	50	417
	Sale of PO electricity	586	762
	Commercial revenue	184	180
	Other revenue	161	167
1	**Revenue**	**7,369**	**8,480**
2	Excess revenue/deficit	530	158
	EU grants	221	0
3	Other operating income	141	9
	Total revenue	**8,261**	**8,647**
1	External costs	(6,326)	(6,109)
4	Staff costs	(320)	(308)
	Total costs	**(6,646)**	**(6,417)**
5	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	(866)	(1,144)
	Profit before net financials	**749**	**1,086**
	Profit in associates after tax	2	2
6	Financial income	44	34
7	Financial expenses	(388)	(338)
	Pre-tax profit	**407**	**784**
8	Tax on profit/(loss) for the year	(279)	(89)
	Profit for the year	**128**	**695**
	The following distribution of the profit for the year is proposed:		
	Strengthening of contributed capital	176	154
	Other reserves	(48)	541
	Total	**128**	**695**

Assets

Note	Amounts in DKK million	2011	2010
	Intangible assets		
	Goodwill	393	418
	Rights	274	272
	Software	166	245
	Assets in the course of construction and prepayments on intangible assets	57	30
9	**Total intangible assets**	**890**	**965**
	Property, plant and equipment		
	Land and buildings	480	385
	Production plant	14,819	14,662
	Cushion gas	458	532
	Other plant, tools and operating equipment	118	79
	Assets in the course of construction and prepayments on property, plant and equipment	2,249	764
10	**Total property, plant and equipment**	**18,124**	**16,422**
	Investments		
	Equity investments in associates	37	35
	Other equity investments	1	1
11	**Total investments**	**38**	**36**
	Total non-current assets	**19,052**	**17,423**
	Inventories	**80**	**120**
	Receivables		
	Trade receivables	323	40
12	Receivables from associates	11	85
19	Corporation tax	65	0
13	Other receivables	1,341	1,409
2	Deficit	1,344	567
	Prepayments	11	33
	Total receivables	**3,095**	**2,134**
	Cash	**280**	**660**
	Total current assets	**3,455**	**2,914**
	Total assets	**22,507**	**20,337**

Equity and liabilities

Note	Amounts in DKK million	Group 2011	2010
	Equity		
	Contributed capital	3,157	3,157
	Strengthening of contributed capital	834	658
	Other reserves	1,678	1,754
	Total equity	**5,669**	**5,569**
	Provisions		
14	Deferred tax liabilities	2,362	2,717
15	Provisions	1,389	1,158
	Total provisions	**3,751**	**3,875**
	Long-term liabilities other than provisions		
16	Payables to credit institutions and mortgage debt	8,054	6,110
17	Deferred income	331	402
18	Lease commitment	71	0
	Total long-term liabilities other than provisions	**8,456**	**6,512**
	Short-term liabilities other than provisions		
16	Current maturities of long-term liabilities other than provisions	592	1,208
17	Current maturities of long-term deferred income	13	2
18	Current maturities of long-term lease commitment	6	0
	Payables to credit institutions	1,640	1,337
	Trade payables	239	210
19	Corporation tax	0	40
2	Excess revenue	508	261
20	Other payables	1,633	1,323
	Total short-term liabilities other than provisions	**4,631**	**4,381**
	Total liabilities other than provisions	**13,087**	**10,893**
	Total equity and liabilities	**22,507**	**20,337**
21	Provision of security and charges		
22	Group derivative financial instruments		
23	Contingent liabilities and other financial liabilities		
24	Auditing fee		
25	Related parties		

Statement of changes in equity

Amounts in DKK million	Contributed capital	Strengthening of contributed capital	Other reserves	Total
Equity at 1 January 2010	**3,157**	**504**	**1,389**	**5,050**
Adjustment, beginning of year			(154)	(154)
Profit for the year		154	541	695
Value adjustment of hedging instruments, beginning of year			6	6
Value adjustment of hedging instruments, end of year			(29)	(29)
Foreign currency translation adjustment of equity investments, end of year			1	1
Equity at 31 December 2010	**3,157**	**658**	**1,754**	**5,569**
Profit/(loss) for the year		176	(48)	128
Value adjustment of hedging instruments, beginning of year			29	29
Value adjustment of hedging instruments, end of year			(57)	(57)
Foreign currency translation adjustment of equity investments, beginning of year			(1)	(1)
Foreign currency translation adjustment of equity investments, end of year			1	1
Equity at 31 December 2011	**3,157**	**834**	**1,678**	**5,669**

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

Balance for other reserves can be specified as follows:	Balance at 1 January 2011	Movements of the period	Balance at 31 December 2011
Income from congestion rents transferred to reserves, incl. capitalisation	1,915	(425)	1,490
EU grants transferred to reserves	0	165	165
Results from commercial activities	43	18	61
Depreciation of decommissioning costs in respect of facilities acquired before 1 January 2005	(79)	(21)	(100)
Unrealised translation adjustments, net financials	6	0	6
Adjustment of deferred tax	(76)	328	252
Results of Regionale Net.dk A/S	(27)	(113)	(140)
Fair value adjustment of financial instruments	(29)	(28)	(57)
Foreign currency translation adjustment of equity investments	1	0	1
Other reserves at 31 December 2011	**1,754**	**(76)**	**1,678**

Balance for income from congestion rents transferred to reserves can be specified as follows:	Congestion rents transferred to reserves	Capitalisation	Great Belt Power Link	Total
Balance at 1 January 2011	594	50	1,271	1,915
Annual transfer to reserves incl. capitalisation	100	22	0	122
Transfer on commissioning of plant	(6)		6	0
Reversal to tariff base for the year	0	0	(35)	(35)
Tax	(172)	(18)	(322)	(512)
Balance at 31 December 2011	**516**	**54**	**920**	**1,490**

Cash flow statement

Amounts in DKK million	2011	2010
Profit for the year before net financials	**749**	**1,086**
Reversal of items not affecting cash flows	(126)	(58)
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	866	1,144
Payments in respect of provisions	(23)	(9)
Change in inventories	18	(54)
Change in receivables	108	36
Change in liabilities	149	377
Change in accumulated deficit	(530)	(158)
Cash flows from operating activities before net financials	**1,211**	**2,364**
Interest receivable	46	31
Interest payable	(428)	(366)
Cash flows from ordinary activities	**829**	**2,029**
Paid corporation tax	(728)	(92)
Cash flows from operating activities	**101**	**1,937**
Investment in intangible assets	(64)	(64)
Investment in property, plant and equipment	(2,166)	(1,040)
Sale of property, plant and equipment	205	1
Cash flows from investing activities	**(2,025)**	**(1,103)**
Proceeds from long-term borrowings	2,378	500
Repayment of long-term borrowings	(1,158)	(886)
Short-term borrowings/repayment, net	324	(205)
Cash flows from financing activities	**1,544**	**(591)**
Change in cash and cash equivalents	(380)	243
Cash and cash equivalents at 1 January	660	417
Cash and cash equivalents at 31 December 2011	**280**	**660**

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

Cash and cash equivalents comprise received EU grants of DKK 193 million at 31 December 2011. Energinet.dk has received these funds but does not finally acquire any rights in respect of these until the conditions for receiving the grants have been met.

Notes

Amounts in DKK million	Power system	Environmentally friendly energy – PSO	Gas system	Commercial activities	Eliminations	Annual Report 2011	Annual Report 2010
Note 1: Segmental income statement							
Tariff revenue	2,555	2,601	609	0	0	5,765	6,107
Sale of electricity from wind turbines and other RE facilities	0	456	0	0	0	456	628
Sale of electricity from local CHP plants	0	130	0	0	0	130	134
Congestion rents	623	0	0	0	0	623	847
Fee for balancing the power system	50	0	0	0	0	50	417
Power generation subsidies	110	0	0	0	0	110	126
Other income	53	0	19	249	(86)	235	221
Revenue	**3,391**	**3,187**	**628**	**249**	**(86)**	**7,369**	**8,480**
Excess revenue/deficit	(13)	696	(153)	0	0	530	158
EU grants	8	0	213	0	0	221	0
Other operating income	0	0	132	9	0	141	9
Total income	**3,386**	**3,883**	**820**	**258**	**(86)**	**8,261**	**8,647**
Subsidies for renewable energy production	(109)	(2,438)	0	0	0	(2,547)	(2,467)
Purchase of electricity	0	(968)	0	0	0	(968)	(647)
Financial support to research and development	0	(186)	0	0	0	(186)	(201)
Other PSO costs	0	(209)	0	0	0	(209)	(38)
Compensation for grid losses	(361)	0	0	0	0	(361)	(404)
Purchase of regulating power	27	0	0	0	0	27	(277)
Payment for the 132/150 kV grids	(538)	0	0	0	0	(538)	(493)
Payment for reserves/storage capacity	(922)	0	(276)	0	62	(1,136)	(1,012)
Expenses relating to foreign grids	(42)	0	0	0	0	(42)	(117)
Payments relating to supervision	(37)	0	(11)	0	0	(48)	(100)
Other external operating expenses	(252)	0	(55)	(35)	24	(318)	(353)
Total external expenses	**(2,234)**	**(3,801)**	**(342)**	**(35)**	**86**	**(6,326)**	**(6,109)**
Staff costs	(230)	0	(80)	(10)	0	(320)	(308)
Total costs/expenses	**(2,464)**	**(3,801)**	**(422)**	**(45)**	**86**	**(6,646)**	**(6,417)**
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	(582)	(46)	(124)	(114)	0	(866)	(1,144)
Profit before net financials	**340**	**36**	**274**	**99**	**0**	**749**	**1,086**
Net financials	(155)	(36)	(88)	(63)	0	(342)	(302)
Pre-tax profit	**185**	**0**	**186**	**36**	**0**	**407**	**784**
Tax on profit/(loss) for the year	(221)	0	(40)	(18)	0	(279)	(89)
Profit/(loss) for the year	**(36)**	**0**	**146**	**18**	**0**	**128**	**695**

(ctd.)

◀ (ctd.)

Amounts in DKK million	Power system	Environmentally friendly energy – PSO	Gas system	Commercial activities	Eliminations	Annual Report 2011	Annual Report 2010
Profit/(loss) for the year	(36)	0	146	18	0	128	695
Excess revenue/deficit for the year	(13)	696	(153)	0	0	530	158
Profit/(loss) for the year before excess revenue/deficit	**(23)**	**(696)**	**299**	**18**	**0**	**(402)**	**537**
The profit/(loss) can be specified as follows:							
Strengthening of contributed capital	166	0	10	0	0	176	154
Other reserves transferred to equity							
– EU grants transferred to reserves	6	0	159	0	0	165	0
– Income from congestion rents transferred to reserves	(425)	0	0	0	0	(425)	547
– Other reserves	217	0	(23)	18	0	212	(6)
Deficit for subsequent inclusion in tariffs	0	(696)	0	0	0	(696)	297
Excess revenue for subsequent inclusion in tariffs	13	0	153	0	0	166	(455)
Total	**(23)**	**(696)**	**299**	**18**	**0**	**(402)**	**537**

	Power system	Environmentally friendly energy – PSO	Gas system	Commercial activities	Annual Report 2011	Annual Report 2010
Note 1: Segmental balance sheet at 31 December 2011						
Non-current assets						
Intangible assets	391	258	46	195	890	965
Property, plant and equipment	11,655	245	4,212	2,012	18,124	16,422
Investments	36	0	2	0	38	36
Total non-current assets	**12,082**	**503**	**4,260**	**2,207**	**19,052**	**17,423**
Current assets						
Inventories	15	0	64	1	80	120
Deficit	468	876	0	0	1,344	567
Other receivables	1,014	430	305	2	1,751	1,567
Cash	174	44	62	0	280	660
Total current assets	**1,671**	**1,350**	**431**	**3**	**3,455**	**2,914**
Total assets	**13,753**	**1,853**	**4,691**	**2,210**	**22,507**	**20,337**
Equity and liabilities						
Equity						
Contributed capital	3,016	0	141	0	3,157	3,157
Strengthening of contributed capital	739	0	95	0	834	658
Other reserves	1,411	0	263	4	1,678	1,754
Equity	**5,166**	**0**	**499**	**4**	**5,669**	**5,569**
Provisions	**1,838**	**195**	**1,187**	**531**	**3,751**	**3,875**
Liabilities other than provisions						
Interest-bearing debt	5,533	979	2,183	1,591	10,286	8,655
Excess revenue	0	0	508	0	508	261
Other liabilities other than provisions	1,216	679	314	84	2,293	1,977
Total liabilities other than provisions	**6,749**	**1,658**	**3,005**	**1,675**	**13,087**	**10,893**
Total equity and liabilities	**13,753**	**1,853**	**4,691**	**2,210**	**22,507**	**20,337**

Amounts in DKK million	Balance at 1 January 2010	Adjustment	Movements of the period	Balance at 31 December 2010
Note 2: Excess revenue/deficit				
Balance for excess revenue/deficit can be specified as follows:				
Excess revenue/deficit to be included in tariffs (Power system)	(192)	0	455	263
Excess revenue/deficit to be included in tariffs (Gas system)	(154)	0	(107)	(261)
Excess revenue/deficit to be included in tariffs (Environmentally friendly energy – PSO)	494	0	(190)	304
Total excess revenue/deficit	**148**	**0**	**158**	**306**

Excess revenue/deficit is recognised in the balance sheet as follows:

	Total receivables	Short-term liabilities other than provisions	Total
Excess revenue/deficit to be included in tariffs (Power system)	263	0	263
Excess revenue/deficit to be included in tariffs (Gas system)	0	(261)	(261)
Excess revenue/deficit to be included in tariffs (Environmentally friendly energy – PSO)	304	0	304
Total excess revenue/deficit	**567**	**(261)**	**306**

	Balance at 1 January 2011	Adjustment	Movements of the period	Balance at 31 December 2011
Balance for excess revenue/deficit can be specified as follows:				
Excess revenue/deficit to be included in tariffs (Power system)	263	218	(13)	468
Excess revenue/deficit to be included in tariffs (Gas system)	(261)	(94)	(153)	(508)
Excess revenue/deficit to be included in tariffs (Environmentally friendly energy – PSO)	304	(124)	696	876
Total excess revenue/deficit	**306**	**0**	**530**	**836**

Excess revenue/deficit is recognised in the balance sheet as follows:

	Total receivables	Short-term liabilities other than provisions	Total
Excess revenue/deficit to be included in tariffs (Power system)	468	**0**	468
Excess revenue/deficit to be included in tariffs (Gas system)	0	(508)	(508)
Excess revenue/deficit to be included in tariffs (Environmentally friendly energy – PSO)	876	0	876
Total excess revenue/deficit	**1,344**	**(508)**	**836**

Notes

Amounts in DKK million	2011	2010
Note 3: Other operating income		
Profit from the sale of emergency gas	132	0
Other miscellaneous income	9	9
Total other operating income	**141**	**9**
Note 4: Staff costs		
Wages and salaries	(361)	(341)
Pensions	(37)	(36)
Other social security costs	(3)	(3)
Capitalised internal time	81	72
Total	**(320)**	**(308)**
Supervisory Board remuneration	(2)	(2)
Executive Board remuneration	(8)	(7)
Reference is made to the section about employment and compensation terms; see pages 20-21 for further information about remuneration for the Supervisory and Executive Boards of the Group.		
Average number of employees	572	544
Note 5: Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets		
Goodwill	(25)	(25)
Rights	(24)	(196)
Software	(92)	(83)
Land and buildings	(6)	(5)
Production plant	(686)	(804)
Other plant, tools and operating equipment	(33)	(31)
Total	**(866)**	**(1,144)**
Note 6: Financial income		
Interest on bank deposits, etc.	14	10
Foreign exchange gains and fair value adjustments etc.	30	24
Total	**44**	**34**

Amounts in DKK million	2011	2010
Note 7: Financial expenses		
Interest on loans, bank debt, etc.	(299)	(297)
Capitalisation of decommissioning provisions	(52)	(38)
Foreign exchange gains and fair value adjustments etc.	(82)	(43)
Capitalised interest on construction projects	45	40
Total	**(388)**	**(338)**
Note 8: Tax on profit/(loss) for the year		
Current tax on profit/(loss) for the year	(167)	(115)
Deferred tax on profit/(loss) for the year	(114)	25
Current tax regarding previous years	(457)	(13)
Deferred tax regarding previous years	459	14
Total	**(279)**	**(89)**
Tax rate adjustment		
Corporation tax rate	25%	25%
Tax effect of non-taxable income and non-deductible expenses	44%	(5%)
Adjustment of tax in previous years	(1%)	0%
Effective tax rate for the year	**68%**	**20%**
Paid tax for the year	**728**	**92**

	Goodwill	Rights	Software	Assets in the course of construc-tion	Total intangible assets
Note 9: Intangible assets					
Acquisition cost at 1 January	**493**	**4,251**	**604**	**30**	**5,379**
Transfer from assets in the course of construction	0	0	11	(11)	0
Additions during the year	0	24	2	38	63
Disposals during the year	0	0	0	0	0
Acquisition cost at 31 December	**493**	**4,275**	**617**	**57**	**5,442**
Amortisation and impairment losses at 1 January	**(75)**	**(3,977)**	**(359)**	**0**	**(4,411)**
Amortisation and impairment losses for the year	(25)	(24)	(92)	0	(141)
Amortisation and impairment losses at 31 December	**(100)**	**(4,001)**	**(451)**	**0**	**(4,552)**
Carrying amount at 31 December	**393**	**274**	**166**	**57**	**890**

Amounts in DKK million	Land and buildings	Produc-tion plant	Cushion gas	Other plant, tools and operating equip-ment	Assets in the course of construc-tion	Property, plant and equip-ment total
Note 10: Property, plant and equipment						
Acquisition cost at 1 January	440	23,927	532	227	763	25,889
Reclassification, 1 January	18	(18)	0	0	0	0
Transfer from assets in the course of construction	83	551	0	21	(655)	0
Additions during the year	0	310	0	51	2,141	2,502
Disposals during the year	0	0	(74)	(2)	0	(76)
Acquisition cost at 31 December	**541**	**24,770**	**458**	**297**	**2,249**	**28,315**
Depreciation and impairment losses at 1 January	**(55)**	**(9,265)**	**0**	**(148)**	**0**	**(9,468)**
Depreciation and impairment losses for the year	(6)	(686)	0	(33)	0	(725)
Reversed depreciation in respect of disposals during the year	0	0	0	2	0	2
Depreciation and impairment losses at 31 December	**(61)**	**(9,951)**	**0**	**(179)**	**0**	**(10,191)**
Carrying amount at 31 December	**480**	**14,819**	**458**	**118**	**2,249**	**18,124**
This includes assets held under finance leases of		77	0	0	0	77

Finance costs of a total of DKK 45 million have been capitalised under 'Non-current assets'.

Amounts in DKK million	Equity investments in associates	Other equity investments	Total investments
Note 11: Investments			
Acquisition cost at 1 January	66	1	67
Additions during the year	0	0	0
Acquisition cost at 31 December	**66**	**1**	**67**
Value adjustments at 1 January	**(31)**	**0**	**(31)**
Profit for the year	2	0	2
Foreign currency translation adjustments in respect of foreign entities	0	0	0
Value adjustments at 31 December	**(29)**	**0**	**(29)**
Carrying amount at 31 December	**37**	**1**	**38**

Equity investments in subsidiaries (share of equity value)

Name	Domicile	Ownership	Share capital DKKm	Total 2011 DKKm
Nord Pool Spot AS	Oslo (N)	20%	NOK 50	36
Nord Pool Gas A/S	Fredericia	50%	DKK 10	1
European Market Coupling Company GmbH	Hamburg (D)	20%	EUR 1.6	0
Total				**37**

There are no significant intercompany profits or losses from trading with associates at 31 December 2011.

Associates are recognised and measured as independent entities.

Other equity investments (share of equity value)

Dansk Gasteknisk Center A/S	Hørsholm	15.6%	DKK 9	1
Total				**1**
Total investments				**38**

Amounts in DKK million	2011	2010
Note 12: Receivables from associates		
Trade receivables	8	73
Loans	3	12
Total	**11**	**85**
Expected maturity of receivables from associates:		
Less than 1 year	9	82
1-5 years	2	3
More than 5 years	0	0
Total	**11**	**85**
Note 13: Other receivables		
Market value of financial instruments	656	427
Energy settlement	538	718
Other receivables	147	264
Total	**1,341**	**1,409**
Expected maturity of other receivables:		
Less than 1 year	714	1,013
1-5 years	4	96
More than 5 years	623	300
Total	**1,341**	**1,409**
Note 14: Deferred tax liabilities		
Deferred tax at 1 January	2,717	2,610
Adjustment in respect of previous years	(459)	140
Change in deferred tax concerning profit/(loss) for the year	104	(33)
Total	**2,362**	**2,717**
Deferred tax concerns		
Intangible assets	65	76
Property, plant and equipment	2,825	2,792
Current assets	(34)	(190)
Liabilities other than provisions	(494)	104
Tax loss to be carried forward	0	(65)
Total	**2,362**	**2,717**

Amounts in DKK million	2011	2010
Note 15: Provisions		
Provisions at 1 January	1,158	700
Provisions made during the year	22	75
Change in present value	258	392
Provisions consumed for the year	(49)	0
Provisions reversed during the year	0	(9)
Total	**1,389**	**1,158**
Decommissioning provisions	1,323	1,070
Other provisions	66	88
Total	**1,389**	**1,158**
Expected maturity of provisions:		
Less than 1 year	66	56
1-5 years	18	43
More than 5 years	1,305	1,059
Total	**1,389**	**1,158**

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

In connection with the determination of the decommissioning provisions Energinet.dk has calculated the expenses of dismantling and removing the non-current assets concerned on a disaggregated basis. The expense per disaggregated unit is stated in 2011 prices. The prices have been projected with an inflation rate until the year when the non-current asset in question is expected to be dismantled and removed. Assumptions and estimates made concerning the calculation of the decommissioning provisions are reassessed once a year when the annual report is prepared. In 2011, the examination led to an increase in provisions of DKK 258 million, which can primarily be attributed to an increase in the price index used and a fall in the discount factor used. At 31 December 2011, the total decommissioning provisions constituted DKK 1,323 million.

Amounts in DKK million	2011	2010
Note 16: Payables to credit institutions and mortgage debt		
Mortgage debt	110	110
Payables to credit institutions	8,536	7,208
Long-term loans	**8,646**	**7,318**

Primary financial instruments

Amounts in DKK million					2011	
Lender/type	Principal	Currency	Nom. interest rate	Expiry	Carrying amount	Carrying amount incl. swaps
Nationalbanken	500	DKK	4	2012	517	510
Nationalbanken	1,370	DKK	5	2013	1,424	1,424
Nationalbanken	1,115	DKK	4	2015	1,167	1,136
Nationalbanken	1,490	DKK	4	2017	1,575	1,540
Nationalbanken	500	DKK	4	2019	586	586
Nationalbanken	1,000	DKK	7	2024	1,389	943
Nationalbanken	500	DKK	4.5	2039	716	716
RD	112	DKK	4.33	2036	110	110
DePfa	1,500	DKK	Float-ing	2027	1,162	1,233
Total, Group					**8,646**	**8,198**

The portfolio of liabilities amounts to DKK 8,646 million. Of this amount, DKK 592 million falls due in 2012. The amount is stated as a short-term liability other than provisions under 'Current maturities of long-term liabilities other than provisions'.

	2011	2010
Following conversion into DKK, the aggregate principal falls due as follows:		
Less than 1 year	592	1,208
1-5 years	2,891	2,408
More than 5 years	5,163	3,702
Total	**8,646**	**7,318**

(ctd.) ▶

◀ (ctd.)

Amounts in DKK million				2011
Long-term liabilities other than provisions				
Maturities of loans and associated swaps:	Other receivables	Other payables	Loans	Total
Less than 1 year	(7)	0	592	585
1-5 years	(30)	71	2,891	2,932
More than 5 years	(593)	111	5,163	4,681
Total	**(630)**	**182**	**8,646**	**8,198**

DKK 592 million has been recognised under 'Current maturities of long-term liabilities other than provisions'. The amount relates to loans.

Amounts in DKK million	2011	2010
Note 17: Deferred income		
EU grants	175	391
Other deferred income	169	13
Total	**344**	**404**
Expected maturity of deferred income:		
Less than 1 year	6	2
1-5 years	57	4
More than 5 years	281	398
Total	**344**	**404**
Note 18: Lease commitments		
Expected maturity of lease commitments:		
Less than 1 year	6	0
1-5 years	26	0
More than 5 years	45	0
Total	**77**	**0**
Note 19: Corporation tax		
Corporation tax payable at 1 January	40	6
Current tax for the year	167	115
Paid corporation tax for the year	(728)	(92)
Correction in respect of previous years	456	11
Total (less receivables)	**(65)**	**40**
Note 20: Other payables		
Commitments on subsidies for research and development	411	399
Pay-related items	80	75
Market value of financial instruments	187	54
Interest payable	52	55
Energy settlement	525	433
Other	378	307
Total	**1,633**	**1,323**

Note 21: Provision of security and charges

Land, buildings and plant incidental to gas-related activities, the carrying amount of which constituted DKK 4,260 million at year-end, have been provided as security for mortgage debt in the amount of DKK 110 million.

The shareholding in Energinet.dk Gaslager Holding A/S has been provided as security for balances with credit institutions in the amount of DKK 1,162 million.

Energinet.dk has issued guarantees totalling EUR 50 million and NOK 5 million to its partners.

Note 22: Derivative financial instruments

The Energinet.dk Group has entered into a number of financial contracts with a view to hedging interest and foreign currency risks. As such, currency swap agreements have been concluded in order to hedge foreign currency risks relating to the enterprise's loan portfolio in foreign currencies.

	Currency loans	SWAP deposits in currencies	SWAP deposits in DKK	SWAP loans in DKK	Market value	Expiry
Derivative financial instruments						
Currency risks of loans						
SEKm	(1,450)	1,450	1,182	(1,158)	25	2012
Total, Group	**(1,450)**	**1,450**	**1,182**	**(1,158)**	**25**	

The market value of currency swap agreements is DKK 25 million and is stated under 'Other receivables'. Results-wise, market value adjustments of currency swap agreements are equal to similar value adjustments of hedged loans.

	Currency contract	Date of maturity	Contract in DKK	Date of maturity in DKK	Market value	Expiry
Currency risks in connection with contracts and raw materials						
NOKm	(234)	234	(219)	220	1	2012-2014
SEKm	(321)	321	(301)	296	(5)	2012-2015
Total, Group			**(520)**	**516**	**(4)**	

Amounts in DKK million	Nominal	Market value	Year of expiry
Interest rate risks of loans			
Fixed to floating	(1,000)	557	2024
Floating to fixed	(1,000)	(111)	2019
Fixed to floating	(500)	7	2012
Fixed to floating	(500)	35	2017
Floating to fixed	(1,238)	(71)	2015
Fixed to floating	500	31	2015
Total, Group	**(3,738)**	**448**	

The market value of currency swap agreements is DKK 448 million, with a negative DKK 182 million being stated under 'Other payables' and DKK 630 million being stated under 'Other receivables'.

Notes

Note 23: Contingent liabilities and other financial liabilities

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

Energinet.dk might be obliged to pay an additional price of 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 Energinet.dk Gaslager A/S's earning potential changes in relation to the legislation applicable at the time of acquisition.

Vattenfall Europe Transmissions 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 damages in respect of non-deliveries of power due to disconnection of and congestion on the cable. Energinet.dk owns the Kontek Link and has therefore become involved in the case.

Energinet.dk has lease commitments of DKK 9 million. Of this amount, DKK 4 million falls due within one year.

	Basis
Note 24: Fee to external auditors:	
Rigsrevisionen does not charge a fee for its auditing services.	
Note 25: Related parties	
The Danish Ministry of Climate, Energy and Building	100% ownership
Stormgade 2-6	
DK-1470 Copenhagen K	
Supervisory Board and Executive Board	Control of management
The Energinet.dk Group did not engage in other transactions with related parties in 2011.	

Accounting policies

The Annual Report of the independent public enterprise Energinet.dk for the period 1 January - 31 December 2011 has been prepared 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 that apply to state-owned public limited companies. As such, the Annual Report has been prepared in accordance with the requirements for class D enterprises.

Change in accounting policies

The presentation of excess revenue/deficit in the Annual Report has been changed on account of guidelines from the Danish Business Authority dated 18 May 2011 concerning the presentation of financial statements of utility companies subject to price adjustment. Excess revenue/deficit is recognised in the income statement as a separate correcting entry for revenue. The recognition in the balance sheet is made under short-term debt and current assets, respectively. Excess revenue/deficit was previously recognised exclusively in equity, except for PSO.

The change has reduced revenue and the profit for the year by DKK 166 million (2010: DKK -348 million) and equity by DKK -40 million (2010: DKK 2 million). Other receivables have increased by DKK 205 million (2010: DKK 263 million) and short-term liabilities other than provisions have increased by DKK 247 million (2010: DKK 261 million).

The presentation of the costs for environmentally friendly power generation has been changed to be included in external expenses, whereas they were previously offset against gross revenue. The change has reduced the external expenses by DKK 3,890 million (2010: DKK 3,576 million) and similarly increased revenue by DKK 3,883 million (2010: DKK 3,576 million), and therefore has no effect on equity.

The total cash flows and deferred tax have not changed as a result of the above change in practice.

The reason for the change is that Energinet.dk considers the changed practice to be fairer and more consistent with how the enterprise's other business segments are presented in the annual report.

The presentation of the segmental financial statements has changed compared to the annual report for 2010. In the 2011 Annual Report, the segment information is provided in note 1 whereas it was previously presented as segmental financial statements after the notes. The change in presentation has no bearing on the results or the balance sheet total.

The remaining accounting policies have not changed compared to the 2010 Annual Report and the 2011 interim report.

Change in accounting estimates

The costs of leasing the cable for the international connection between Jutland and Norway, Skagerak, were previously recognised as an operating lease in the income statement. After hav-

ing reviewed the agreement, Energinet.dk now considers the item to be a finance lease. This means that the lease agreement is entered in the balance sheet as property, plant and equipment as if the asset had been acquired. As regards liabilities, these are entered to correspond to future lease payments. The changed estimate has no bearing on the profit or loss for the year. Property, plant and equipment and the liability were increased by DKK 77 million at 31 December 2011.

Recognition and measurement

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

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

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

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

Consolidated financial statements

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

The consolidated financial statements are derived from the financial statements of Energinet.dk and its subsidiaries and are prepared by combining items of a uniform nature and eliminating intercompany income and expenses, intercompany balances, dividend, and profit and loss from internal transactions.

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

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

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the acquisition. Energinet.dk's equity investments in subsidiaries are eliminated against the subsidiaries' equity value at the date of acquisition (past equity method). The subsidiaries' financial statements, which are used for the consolidation, are prepared in accordance with the accounting policies applied by the Group.

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

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

'

Profit or loss from the divestment and winding-up of subsidiaries and associates is determined as the difference between the selling price or the divestment price and the equity value of net assets at the date of disposal, including non-amortised goodwill as well as anticipated sale and divestment costs.

Foreign currency translation

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

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

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

ance sheet date and the translation of income statements from average rates of exchange to the rates of exchange at the balance sheet date are recognised directly in equity.

Derivative financial instruments

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

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

Changes in the fair values of derivative financial instruments classified as and complying with the criteria for the hedging of future transactions, are recognised directly in equity under 'Reserve for hedging transactions'. If the expected future transaction results in the acquisition of non-financial assets or liabilities, amounts which are deferred under equity are transferred from equity to the cost of the asset. If the expected future transaction results in income or expenses, amounts deferred under equity are transferred from equity by realising the hedged asset and recognised in the same item as the hedged asset. In case of derivative financial instruments not complying with the criteria for being treated as hedging instruments, the changes are recognised.

Income statement

Revenue

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 the income can be calculated reliably and is expected to be received.

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

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

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

Grants from EU Recovery Fund

Grants from the European Economic Recovery Plan are recognised in the income statement when the conditions for receiving the grant have been met. The grant is transferred to an undistributable reserve in equity which is subsequently systematically reversed via the account for excess revenue/deficit in the income statement.

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

Other operating income
Other operating income 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 Energinet.dk's employees, including the Supervisory and Executive Boards.

Research and development costs not complying with the criteria for capitalisation are recognised under 'Other external expenses' and 'Staff costs'.

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

Results of subsidiaries and associates
The proportionate share of the individual subsidiaries' and associates' after-tax profit or loss after elimination of intercompany profit or loss and less amortisation of goodwill is recognised in the income statement. The share of the individual subsidiaries' and 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 profit or loss for the year
Energinet.dk is jointly taxed with its Danish consolidated companies. The enterprise functions as an administration company, which means that the total Danish tax for all consolidated companies is paid to Energinet.dk.

Current Danish corporation tax is still allocated to the jointly taxed enterprises and companies 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 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 relating to the extraordinary income or loss for the year is attributable to the tax for the year, while the remaining share is attributable to the income or loss from ordinary activities for the year.

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

Assets

Intangible assets
Intangible assets comprise goodwill, rights, development projects and software. Assets in the course of construction are measured at cost.

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 internally developed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour. Furthermore, any finance costs attributable to the cost are recognised.

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

Clearly defined and identifiable development projects which are intended to be used and where the technical rate of utilisation, the existence of sufficient resources and a future development potential in the enterprise can be demonstrated are recognised as intangible assets if there is adequate security that the value in use of the future earnings covers the development costs. Development projects not complying with the criteria for recognition in the balance sheet are recognised as costs in the income statement when incurred.

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

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

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

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

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

Profit 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 losses. 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.

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 internally developed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour. Furthermore, any finance costs attributable to the cost are recognised. In addition, decommissioning costs are recognised as a part of the cost.

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

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	Is not depreciated
• Buildings	20-100 years
• Technical plant	10-50 years
• Cushion gas	Is not depreciated
• Other plant, tools and operating equipment	3-10 years

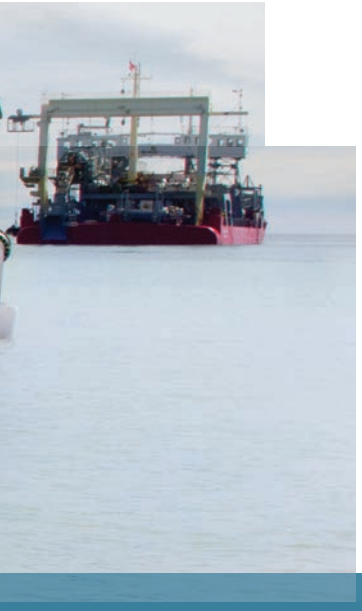
New acquisitions with acquisition costs of less than DKK 100,000 are charged to the income statement in the acquisition year.

Acquisitions in the financial year are depreciated proportionately from the date of entry into service. Expenses related to extensive maintenance checks are recognised at the acquisition cost of production plant as a separate non-current asset which is depreciated over its useful life, ie the period until the next maintenance check. On the original acquisition of 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 at the date of acquisition as a separate asset with a shorter useful life and thus depreciation period.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount. 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 dismounting, selling and decommissioning costs 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 according to the equity method.

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

Equity investments in associates are measured in the balance sheet as the proportionate share of the equity value of the company concerned 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 associates is transferred to 'Excess revenue/deficit' under equity according to the equity method in so far as the carrying amount exceeds the cost.

The presentation format used to present the results from equity investments in subsidiaries and associates has been adjusted so that the results have been recognised after tax. Comparative figures have been corrected.

Inventories
Inventories comprise natural gas in the storage facilities as well as components and other technical spare parts in stock. Inventories are measured at the lower of cost and net realisable value.

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

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

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

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

Equity

Dividend

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

Contributed capital

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

Other reserves

Other reserves comprise rents from interconnections for future investment in expanding the electricity infrastructure transferred to reserves with a view to reducing congestion in the power grid. The provision is made in accordance with special legislation in this area. Grants from theEuropean Economic Recovery Plan have been transferred to other reserves. Furthermore, the item includes profits or losses in subsidiaries, fair value adjustments of the hedging instruments meeting the requirements for hedging future cash flows and adjustments of deferred tax liabilities for subsequent inclusion in the tariffs which are taken directly to equity.

Equity and liabilities

Provisions

Provisions are recognised when the Energinet.dk Group has incurred a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation provided that such obligation can be determined reliably. The item primarily comprises decommissioning provisions 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 is – in its capacity as an administration company – liable for the payment of the corporation tax of its subsidiaries to the Danish tax authorities concurrently with the subsidiaries' payment of joint taxation contributions.

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

Deferred tax is measured under the balance-sheet liability method based on all the temporary differences between the carrying amount and the tax base of assets and liabilities on the basis of the tax rate of 25% adopted at the balance sheet date.

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

Liabilities other than provisions
Payables to mortgage credit institutions and credit institutions are recognised initially at the proceeds received, net of transaction costs incurred. Subsequently, financial liabilities are recognised at amortised cost corresponding to the capitalised value when using the effective rate of interest so that the difference between the proceeds and the nominal value is recognised in the income statement over the entire loan period under 'Net financials'.

Other liabilities other than provisions, which comprise trade payables, payables to associates, and other payables, are measured at amortised cost.

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

Deferred income (liability)
Deferred income comprises prepayments received in relation to income to be deferred to subsequent years, including prepayments relating to the sale of rights to the Kontek Link.

Moreover, EU grants received for construction projects are recognised under deferred income. The grants are recognised in the income statement as depreciation is provided for the facilities to which the grants relate. Grants from the European Economic Recovery Plan are recognised in the income statement when the conditions for receiving the grant have been met.

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

Cash flow statement

The cash flow statement is based on the indirect method, using the operating 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 repayments and the obtaining of short- and long-term debt from mortgage credit institutions and credit institutions.

Cash and cash equivalents
Cash and cash equivalents comprise cash.

Definitions of key figures and ratios

EBITDA margin

$$\frac{\text{Revenue}}{\text{EBITDA}} \times 100$$

Operating cash flow/debt

$$\frac{\text{Operating activity}}{\text{Interest-bearing debt}} \times 100$$

Solvency ratio

$$\frac{\text{Equity}}{\text{Balance sheet total}} \times 100$$

Rate of costs, operating costs

$$\frac{\text{Operating costs}}{\text{Carrying amount non-current assets beginning of year}} \times 100$$

EBITDA
Profit or loss before depreciation, amortisation and impairment losses, net financials and tax

Strengthening of contributed capital
The year's actual value of the contributed capital according to the price index announced by the Danish Energy Regulatory Authority.

Price-index regulation announced by the Danish Energy Regulatory Authority
Index increase according to the price index announced by the Danish Energy Regulatory Authority.

No. of occupational injuries own staff per million working hours
No. of accidents resulting in absence among own staff per million working hours in accordance with the reporting rules of the Danish Working Environment Authority.

No. of disconnections in 150/400 kV power grid
No. of disconnections per 1,000 km pipeline.

Delivery points affected by technical problems (gas)
Delivery points affected by technical problems (%) In a delivery point, gas is added/removed from Energinet.dk's transmission grid.

Wind power generation relative to net power generation
Calculated on the basis of the measured generation of net power using the Danish Energy Regulatory Authority's calculation methods. Calculated by Energinet.dk using preliminary data for 2011.

Renewable energy generation relative to net power generation
Calculated on the basis of the measured generation of net power using the Danish Energy Regulatory Authority's calculation methods. Calculated by Energinet.dk using preliminary data for 2011.

Statements and reports

Pursuant to Section 149 of the Danish Financial Statements Act, the annual report of the Group is an extract of the annual report of the enterprise and does not comprise the annual report of the Parent Energinet.dk. The financial statements of the Parent Energinet.dk are presented as a separate publication. Copies can be ordered from Energinet.dk and at www.energinet.dk.

The financial statements of the Parent Energinet.dk form an integral part of the combined annual report. The combined annual report, including the financial statements of the Parent Energinet.dk, will be sent to the Danish Business Authority.

Management and the auditors have provided the combined annual report with the following statements and reports.

Statement by the Supervisory and Executive Boards on the Annual Report

In our opinion, the accounting policies applied are appropriate, the Group's internal control relevant to the preparation and presentation of the Annual Report is adequate and the Annual Report therefore gives a fair presentation at 31 December 2011 of the Group's and the enterprise's assets, liabilities and financial position, the results of the Group's and the enterprise's operations, and of the Group's cash flows for the financial year 1 January to 31 December 2011.

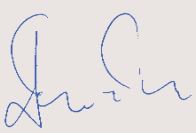
In our opinion, Management's review provides a fair review of the development in the operations and financial circumstances, of the results for the year and of the financial position of the Group and the enterprise as well as a description of the most significant risks and elements of uncertainty facing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

Furthermore, in our opinion, business procedures and internal control have been established which ensure that the transactions covered by the consolidated financial statements and the financial statements comply with the provisions of the Danish Act on Energinet.dk on the state's contributed capital, other regulations, agreements concluded and generally accepted accounting principles.

Fredericia, 14 March 2012

Executive Board

Peder Østermark Andreasen
President and CEO



Torben Thyregod
Executive Vice President, CFO

Torben Glar Nielsen
Executive Vice President

Supervisory Board

Niels Fog
Chairman

Anne Broeng

Birgitte Kiær Ahring

Erik Dahl

Hanne Søndergaard

Per Sørensen

Peter Møllgaard

Poul Erik Morthorst

Carl Erik Madsen*

Jess Bernt Jensen*

Louise Overvad Jensen*

* Employee-elected

Independent Auditor's Report

To the Shareholders of Energinet.dk

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Energinet.dk for the financial year 1 January to 31 December 2011, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company, as well as consolidated cash flow statement. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements and the Danish Act on Energinet.dk.

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

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

Auditor's Responsibility

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

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

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

The audit has not resulted in any qualification.

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Company at 31 December 2011 and of the results of the Group and Company operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2011 in accordance with the Danish Financial Statements and the Danish Act on Energinet.dk

Statement on Management's Review
We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Fredericia, 14 March 2012
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Jesper Møller Christensen
State-authorised Public Accountant

Brian Christiansen
State-authorised Public Accountant

External auditor's report

To the Minister for Climate, Energy and Building

Auditor's report on the consolidated financial statements, financial statements and management's review

We have audited the consolidated financial statements, financial statements and management review of the independent public enterprise Energinet.dk for the financial year 1 January – 31 December 2011. The consolidated financial statements and the financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for the group as well as the parent company and a group cash flow statement. The consolidated financial statements, the financial statements and the management's review are prepared in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk.

With the issue of this audit report we consider the audit of the annual report for 2011 closed. Rigsrevisionen may, however, decide to investigate further issues relating to this and previous financial years. Such investigations may result in new information that may lead to a reassessment of concrete matters addressed in this auditor's report.

Management's responsibility for the consolidated financial statements, the financial statements and management's review

statements that give a true and fair view in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk. The management's responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements and financial statements free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Furthermore, management is responsible for the preparation of a management's review that gives a fair review in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk. Furthermore, management is responsible for ensuring that the transactions included in the consolidated financial statements and financial statements are consistent with appropriations granted, legislation, other rules and regulations, agreements made and common practice.

Auditor's responsibility and basis of audit opinion

Our responsibility is to express an opinion on the consolidated financial statements, the financial statements and the management's review based on our audit. We performed our audit in accordance with generally accepted public auditing standards, cf. the Danish Act on the Audit of State Accounts, etc. This responsibility includes assessment of the risk of material misstatement in the financial statements and whether the transactions included in the financial statements are consistent with appropriations granted, legislation, other rules and regulations, agreements made and common practice.

An audit includes procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements, the financial statements and management's re-

view. The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatement in the consolidated financial statements, the financial statements and the management's review, whether due to fraud or error. In making the risk assessment, the auditor considers internal controls relevant to the preparation and fair presentation of the consolidated financial statements and the financial statements by the enterprise and to the preparation of a fair management's review. The objective is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the enterprise's internal controls. An audit also includes evaluating the appropriateness of accounting policies applied by management and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements, the financial statements and management's review.

Moreover, the audit includes evaluating whether the business procedures and internal controls established support the consistency of the transactions included in the consolidated financial statements and financial statements with the appropriations granted, legislation, other rules and regulations, contracts made and common practice.

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

Our audit did not result in any qualification.

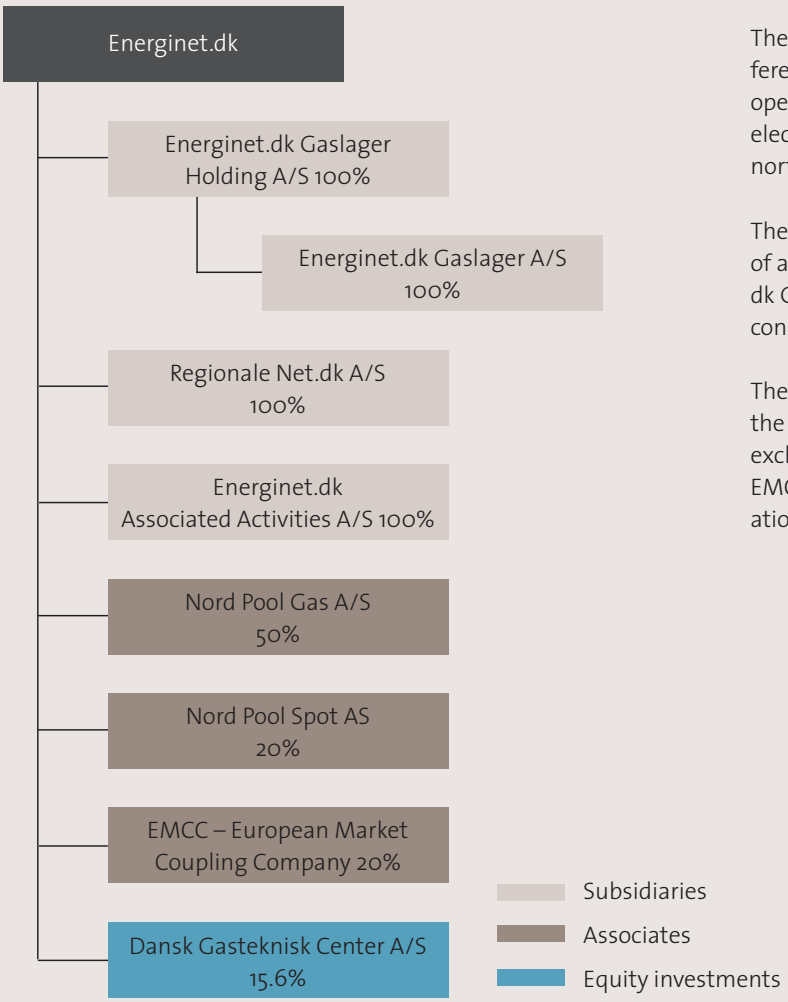
Opinion
In our opinion the consolidated financial statements and financial statements give a true and fair view of the group's and parent company's assets, liabilities and financial position as at 31 December 2011 and the result of the group's and parent company's transactions and group cash flow for the financial year 1 January – 31 December 2011 in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk, and the management's review includes a fair review in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk. We are also of the opinion that the business procedures and internal controls established support the consistency of the transactions included in the consolidated financial statements and the financial statements with the appropriations granted, legislation, other rules and regulations, agreements made and common practice.

Fredericia, 14 March 2012
Rigsrevisionen

Annie Nørskov
Auditor General

Michael Kubel
Director

Group chart



The activities of the Energinet.dk Group are undertaken by different companies. Energinet.dk owns and is responsible for operating the main gas transmission network and the 400 kV electricity transmission grid, while the 132 kV regional grid in north Zealand is operated by Regionale Net.dk A/S.

The Group's activities also comprise the commercial operation of a gas storage facility in Lille Torup in the company Energinet.dk Gaslager A/S, the leasing of fibre transmission and energy consulting in Energinet.dk Associated Activities A/S.

The activities of the Energinet.dk Group's associates comprise the operation of the power exchange Nord Pool Spot, the gas exchange Nord Pool Gas and the market coupling company EMCC. The activities of these companies are handled in cooperation with other TSOs and listed companies.

Energinet.dk
Tonne Kjærsvej 65
7000 Fredericia, Denmark
Tel. +45 70 10 22 44

info@energinet.dk
www.energinet.dk

ENERGINET.DK

Energinet.dk owns the energy 'motorways' and supports Denmark's transition to renewable energy.