



# Annual Report 2010

**ENERGINET** / DK





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# What is Energinet.dk



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

## 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 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.

Energinet.dk's main responsibilities in the electricity and gas markets are to:

- Maintain overall security of supply in the short and long term
- Develop the main Danish electricity and gas infrastructure
- Create objective and transparent conditions for competition on the energy markets and monitoring that competition works
- Carry out coherent and holistic planning involving future transmission capacity requirements and long-term security of supply

- Support environmentally friendly power generation as well as the development and demonstration of technologies for environmentally friendly energy generation
- Calculate the environmental impact of the energy system as a whole.

Energinet.dk's finances are based on a 'break-even principle'. The primary source of income is in the form of tariffs.

Energinet.dk owns the gas transmission network, the 400 kV electricity transmission grid and the 132 kV grid in northern Zealand. The Enterprise co-owns electricity interconnections to the Nordic countries and Germany and has the Danish electricity transmission grid above 100 kV at its disposal. Energinet.dk also owns Lille Torup natural gas storage facility.



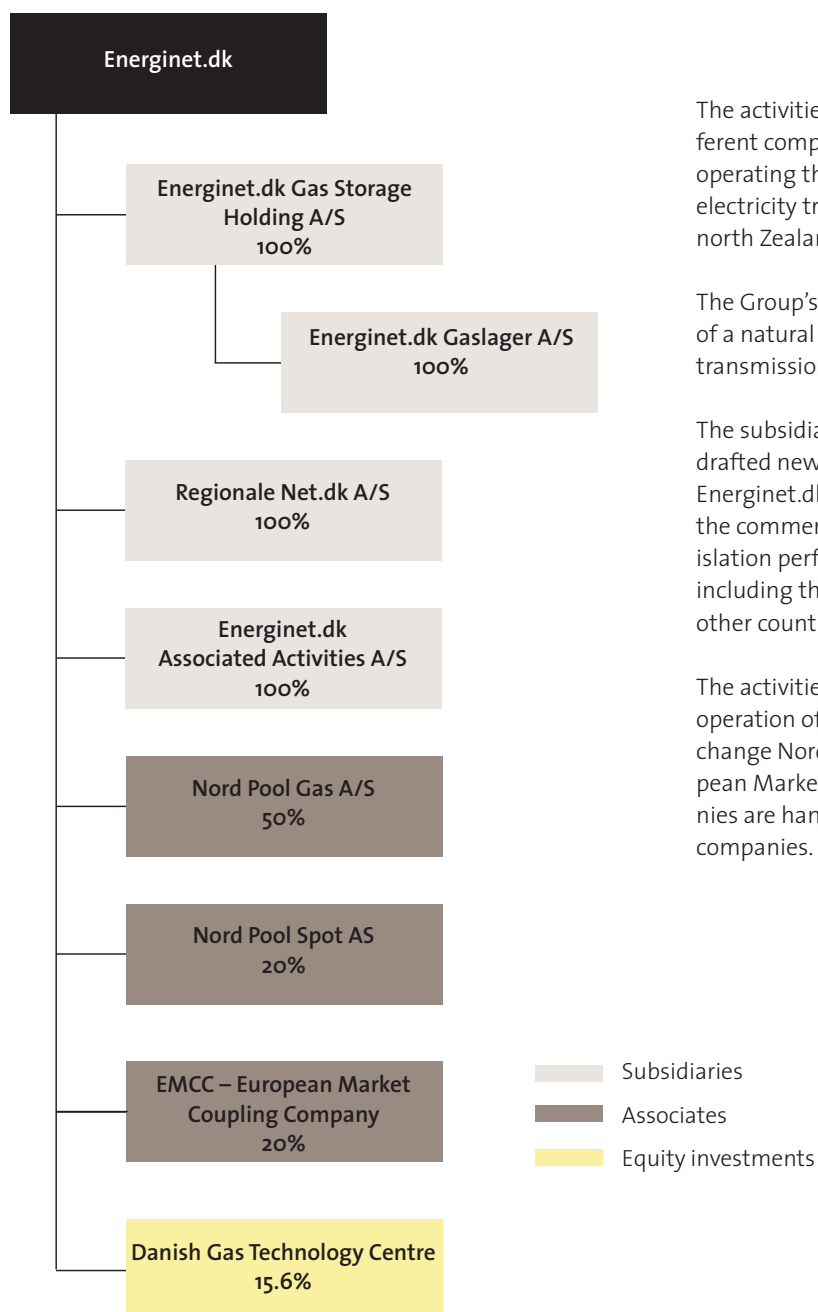
## Mission

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 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 Energinet.dk Group



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 natural gas storage facility in Lille Torup, the leasing of fibre transmission, and the sale of consultancy services.

The subsidiary Fibertransmission.dk has changed its name and drafted new articles of association. The company is now called Energinet.dk Associated Activities A/S. The company performs the commercial activities which Energinet.dk according to legislation performs in relation to Energinet.dk's main activities, including the leasing of fibre net and consultancy services in other countries, based on Energinet.dk's expertise as TSO.

The activities of the Energinet.dk Group's associates comprise operation of the power exchange Nord Pool Spot, the gas exchange Nord Pool Gas and the market coupling company European Market Coupling Company. The activities of these companies are handled in cooperation with other TSOs<sup>1</sup> and listed companies.

# Supervisory and Executive Boards

## Supervisory Board

### Chairman

Niels Fog  
MSc (Economics and Business Administration) and merchant

### Other members

Anne Broeng  
Group Executive Vice President and CFO, PFA Pension

Birgitte Kiær Ahring  
MSc (Biology), PhD. Professor of biotechnology at Aalborg University

Erik Dahl  
Engineer, Diploma in Economics

Hanne Søndergaard  
Deputy CEO, Arla Foods UK

Per Sørensen  
Engineer, Diploma in Economics

Peter Møllgaard  
MSc (Economics). Professor and Head of Department at Department of Economics, Copenhagen Business School (CBS)

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

### Employee-elected representatives

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

Carl Erik Madsen  
Electronics Engineer, Relay Technician in Electricity Transmission

Christoffer Nicolaj Rasch  
(from 1 January 2011)  
MSc (Economics). Economist in System Analysis

### Executive Board

President and CEO  
Peder Østermark Andreasen

Executive Vice President, CFO  
Torben Thyregod

Executive Vice President  
Torben Glar Nielsen

*Front, left: Peter Møllgaard, Hanne Søndergaard, Per Sørensen, Poul Erik Morthorst and Erik Dahl.*

*Back, left: Anne Broeng, Berit Schilling, Carl Erik Madsen, Christoffer Nicolaj Rasch and Niels Fog.  
Birgitte Kiær Ahring was not present when the photo was taken.*



# Financial highlights for the Group

Amounts in DKK million	2010	2009	2008	2007	2006
<b>Results</b>					
Gross revenue	8,290	9,173	8,333	9,382	8,389
Revenue	4,714	4,815	4,966	4,158	3,983
Operating profit/loss	742	861	500	802	468
Net financials	(306)	(308)	(388)	(246)	(149)
Profit for the year	347	456	112	611	422
Strengthening of contributed capital	154	(111)	199	144	89
<b>Balance sheet</b>					
Non-current assets	17,423	17,038	17,164	15,119	11,827
Current assets	2,651	2,591	2,472	3,754	2,259
Balance sheet total	20,074	19,629	19,636	18,873	14,086
Interest-bearing debt	8,655	9,238	9,854	8,225	6,076
Equity	5,567	5,396	4,919	4,830	4,219
<b>Cash flows</b>					
Operating activities	1,962	2,140	990	1,181	277
Investing activities	(1,103)	(1,180)	(2,591)	(2,946)	(302)
– of which investment in property, plant and equipment	(1,040)	(1,056)	(1,030)	(836)	(332)
Financing activities	(616)	(579)	939	2,401	(183)
Changes in cash and cash equivalents for the year	243	381	(662)	636	(208)
Cash and cash equivalents, end of year	660	417	36	698	62
<b>Key ratios in per cent</b>					
Solvency ratio*	28	27	25	26	30
Price-index regulation announced by the Danish Energy Regulatory Authority	3.8	(2.0)	6.2	4.9	3.4
<b>Key ratio</b>					
* Solvency ratio = $\frac{\text{Equity}}{\text{Balance sheet total}}$					



# Statements and reports

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

Today, the Supervisory and Executive Boards discussed and approved the Annual Report of Energinet.dk for the 2010 financial year

The consolidated financial statements, the financial statements and Management's review are presented in accordance with the Danish Financial Statements Act, applicable Danish accounting standards and the Danish Act on Energinet.dk.

In our opinion, the accounting policies applied are appropriate, the Group's internal control relevant to the preparation and presentation of consolidated financial statements and financial statements is adequate, and the consolidated financial statements and the financial statements therefore give a fair presentation at 31 December 2010 of the assets, liabilities and financial position of the Group and the Parent, of the results of the Group's and the Parent's operations, and of the Group's cash flows for the financial year 1 January to 31 December 2010.

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 Parent as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent.

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.

Finally, in our opinion, the administration performed in 2010 was financially appropriate and the disclosures in the consolidated financial statements, the financial statements and Management's review about objectives and results are documented and cover Energinet.dk's operations in 2010.

We recommend that the Annual Report with proposal for the distribution of profit be approved by the Danish Minister for Climate and Energy.

### Executive Board

Fredericia, 17 March 2011

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

Berit Schilling

Carl Erik Madsen\*

Christoffer Nicolaj Rasch\*

\* Employee-elected



## Internal auditors' report

### To the Danish Minister for Climate and Energy

#### **Internal auditors' report on consolidated financial statements, financial statements and Management's review**

We have audited the consolidated financial statements, the financial statements and Management's review of the independent public enterprise Energinet.dk for the financial year 1 January 2010 to 31 December 2010. The consolidated financial statements and the financial statements comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and accounting policies. The consolidated financial statements, the financial statements and Management's review are presented in accordance with the Danish Financial Statements Act, Danish accounting standards and the Danish Act on Energinet.dk.

#### **Management's responsibility for consolidated financial statements, financial statements and Management's review**

Management is responsible for the preparation and fair presentation of consolidated financial statements and financial statements in accordance with the Danish Financial Statements Act, Danish accounting standards and the Danish Act on Energinet.dk. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and financial statements that are free from material misstatement, whether due to

fraud or error. The responsibility also includes 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, Danish accounting standards and the Danish Act on Energinet.dk. Furthermore, Management is responsible for ensuring that the transactions covered by the consolidated financial statements and the financial statements comply with Danish law, other regulations, agreements concluded and generally accepted accounting principles.

#### **Auditors' responsibility and basis of audit opinion**

Our responsibility is to express an opinion on the consolidated financial statements, the financial statements and Management's review based on our audit. We conducted our audit in accordance with Danish auditing standards and generally accepted public auditing standards, cf. the Danish Act on the Auditing of Governmental Accounts etc., and the Danish Act on Energinet.dk. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements, the financial statements and Management's review are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements, the financial statements and Management's review. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material mis-



statement of the consolidated financial statements, the financial statements and Management's review, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Enterprise's preparation and fair presentation of consolidated financial statements and financial statements and to the preparation of a Management's review that includes a fair review in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal 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, the financial statements and Management's review. An audit also includes assessing whether 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.

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

Our audit has not resulted in any qualification.

#### **Conclusion**

In our opinion the consolidated financial statements and financial statements give a fair presentation at 31 December 2010 of

the Group's and the Parent's assets, liabilities and financial position and of the results of the Group's and Parent's activities and the Group's cash flows for the financial year 1 January 2010 to 31 December 2010 in accordance with the Danish Financial Statements Act, Danish accounting standards and the Danish Act on Energinet.dk, and Management's review includes a fair review in accordance with the Danish Financial Statements Act, Danish accounting standards and the Danish Act on Energinet.dk. 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.

#### **Statement on performance audit conducted**

In connection with the financial audit of Energinet.dk's consolidated financial statements, financial statements and Management's review for 2010 we have assessed whether due financial allowance was made for selected areas in the administration of the Enterprise and whether the disclosures in the consolidated financial statements, the financial statements and Management's review about objectives and results are documented and cover Energinet.dk's activities in 2010.

#### **Management's responsibility**

Energinet.dk's management is responsible for setting up guidelines and procedures to ensure that due financial allowance is made in connection with the administration of the Enterprise



and that the disclosures in the consolidated financial statements, the financial statements and Management's review about objectives and results are documented and cover Energinet.dk's activities in 2010.

#### **Auditors' responsibility and the performance audit conducted**

In accordance with good public auditing practice, cf. the Danish Act on the Auditing of Governmental Accounts, etc., we have examined specific administrative areas to assess whether Energinet.dk has established business procedures ensuring proper financial administration. Furthermore, on the basis of audit sampling we have reviewed the disclosures in the consolidated financial statements, the financial statements and Management's review about Energinet.dk's objectives and results.

We conducted our audit to obtain limited assurance that the administration of the selected areas was handled in a financially appropriate manner and that the disclosures in the consolidated financial statements, the financial statements and Management's review about objectives and results are documented and cover Energinet.dk's activities in 2010.

#### **Conclusion**

The performance audit conducted did not reveal any circumstances leading us to believe that the administration in 2010 of the areas examined by us was not conducted in a financially appropriate manner or that the disclosures in the consolidated financial statements, the financial statements and Management's review about objectives and results are not documented and do not cover Energinet.dk's activities in 2010.

Fredericia, 17 March 2011

**PricewaterhouseCoopers**  
Statsautoriseret Revisionsaktieselskab

Jesper Møller Christensen  
*State Authorised  
Public Accountant*

Brian Christiansen  
*State Authorised  
Public Accountant*



## External auditors' report

### To the Danish Minister for Climate and Energy

#### External auditors' report on consolidated financial statements, financial statements and Management's review

We have audited the consolidated financial statements, the financial statements and Management's review of the independent public enterprise Energinet.dk for the financial year 1 January 2010 to 31 December 2010. The consolidated financial statements and the financial statements comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and accounting policies. The consolidated financial statements, the financial statements and Management's review are presented in accordance with the Danish Financial Statements Act, Danish accounting standards and the Danish Act on Energinet.dk.

With this auditors' report we consider the audit of the consolidated financial statements, the financial statements and Management's review for 2010 as finalised. Rigsrevisionen (the national audit office of Denmark) may, however, decide to further investigate issues relating to this and previous financial years. In this connection new information may become available which may lead to the reassessment of specific issues dealt with in this auditors' report.

#### Management's responsibility for consolidated financial statements, financial statements and Management's review

Management is responsible for the preparation and fair presentation of consolidated financial statements and financial statements in accordance with the Danish Financial Statements Act, Danish accounting standards and the Danish Act on Energinet.dk. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes 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, Danish accounting standards and the Danish Act on Energinet.dk. Furthermore, Management is responsible for ensuring that the transactions covered by the consolidated financial statements and the financial statements comply with Danish law, other regulations, agreements concluded and generally accepted accounting principles.

#### Auditors' responsibility and basis of audit opinion

Our responsibility is to express an opinion on the consolidated financial statements, the financial statements and Management's review based on our audit. We conducted our audit in accordance with Danish auditing standards and generally accepted public auditing standards, cf. the Danish Act on the Auditing of Governmental Accounts etc., and the Danish Act on



Energinet.dk. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements, the financial statements and Management's review are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements, the financial statements and Management's review. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, the financial statements and Management's review, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Enterprise's preparation and fair presentation of consolidated financial statements and financial statements and to the preparation of a Management's review that includes a fair review in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal 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, the financial statements and Management's review. An audit also includes assessing whether 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.

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

Our audit has not resulted in any qualification.

#### **Conclusion**

In our opinion the consolidated financial statements and financial statements give a fair presentation at 31 December 2010 of the Group's and the Parent's assets, liabilities and financial position and of the results of the Group's and Parent's activities and the Group's cash flows for the financial year 1 January 2010 to 31 December 2010 in accordance with the Danish Financial Statements Act, Danish accounting standards and the Danish Act on Energinet.dk, and Management's review includes a fair review in accordance with the Danish Financial Statements Act, Danish accounting standards and the Danish Act on Energinet.dk. 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 are in conformity 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.

#### **Statement on performance audit conducted**

In connection with the financial audit of Energinet.dk's consolidated financial statements, financial statements and Manage-



ment's review for the 2010 financial year we have assessed whether due financial allowance was made for selected areas in the administration of the Enterprise and whether the disclosures in the consolidated financial statements, the financial statements and Management's review about objectives and results are documented and cover Energinet.dk's activities in 2010.

#### **Management's responsibility**

Energinet.dk's management is responsible for setting up guidelines and procedures to ensure that due financial allowance is made in connection with the administration of the Enterprise and that the disclosures in the consolidated financial statements, the financial statements and Management's review about objectives and results are documented and cover Energinet.dk's activities in 2010.

#### **Auditors' responsibility and the performance audit conducted**

In accordance with good public auditing practice, cf. the Danish Act on the Auditing of Governmental Accounts, etc., we have examined specific administrative areas to assess whether Energinet.dk has established business procedures ensuring

proper financial administration. Furthermore, on the basis of audit sampling we have reviewed the disclosures in the consolidated financial statements, the financial statements and Management's review about Energinet.dk's objectives and results.

We conducted our audit to obtain limited assurance that the administration of the selected areas was handled in a financially appropriate manner and that the disclosures in the consolidated financial statements, the financial statements and Management's review about objectives and results are documented and cover Energinet.dk's activities in 2010.

#### **Conclusion**

The performance audit conducted did not reveal any circumstances leading us to believe that the administration in 2010 of the areas examined by us was not conducted in a financially appropriate manner or that the disclosures in the consolidated financial statements, the financial statements and Management's review about objectives and results are not documented and do not cover Energinet.dk's activities in 2010.

Fredericia, 17 March 2011

#### **Rigsrevisionen**

Henrik Otbo  
*Auditor General*

Edvin Andrée Andersen  
*Director*

# Management's review



## Preface by Management

In 2010, the financial crisis put a decisive stamp on the energy and climate policy agenda. While 2009 was all about the climate, 2010 was all about the financial crisis. When it became clear that the results from the UN climate summit in December 2009 would not be as hoped, the national and international energy policy agenda shifted its focus from climate to security of supply, socioeconomics and the possibilities of overcoming the crisis through growth.

To Energinet.dk, whose long-term planning focuses on balancing security of supply, market development, climate/the environment and socioeconomics, this shift in focus constituted a decisive test of the Enterprise's decisions and long-term strategy. But Energinet.dk's decisions, long-term strategy and expected investments in the energy infrastructure of DKK 25 billion over the coming decade passed the test.

The direction of long-term energy policy has not changed, however. The overall political objectives of fossil-fuel independence still rule energy policy, and the broad political support was once again confirmed in the report published by the Danish Commission on Climate Change Policy (Climate Commission) in September 2010.

Denmark is facing a paradigm shift in the energy area - a marked conversion that requires integrated planning of electricity, gas, heat and transport. This poses a challenge to all parts of the energy supply system and requires close collaboration between many players. In future, energy will be produced

and consumed in entirely new ways, generating requirements for a very strong energy infrastructure capable of transporting even larger amounts of energy from where it is generated to where it is consumed.

Because of the markedly increasing volumes of fluctuating wind power generation, it is necessary to create a new energy system where demand response plays a larger role so that energy is consumed when it is abundant and prices are competitive. To do so, a strong, robust power grid is required to transmit the large volumes of renewable energy over long distances and trade them in an international market. In addition, an intelligent system is required to monitor, control and regulate a considerably more complex energy system.

Energinet.dk's 2050 report and Smart Grid<sup>2</sup> analysis, which were prepared in collaboration with the Danish Energy Association, underpinned the long-term political objectives. Also, in 2010, several new building blocks for the new energy system were put in place. On the one hand, two large construction projects were completed, namely the Great Belt Power Link and the facilities for sending the power ashore from the new offshore wind farm Rødsand 2, and, on the other hand, the expansion of the backbone of the Jutland transmission system and the construction of a new international connection came one step closer to being realised.

It is not just the power system that is changing radically, the natural gas system is changing too. Natural gas will for many years to come still form part of the Danish energy supply, con-





stituting a key element in the transition to a society based on renewable energy.

Because of the declining natural gas production in the Danish part of the North Sea, Energinet.dk therefore ensured security of supply in the short term in 2010 by opening up for the import of German natural gas for the first time since Denmark started to use natural gas in 1984. A new natural gas pipeline from the Danish/German border to the town of Egtved further guarantees security of supply from 2013. At the same time, Energinet.dk is analysing the possibilities of importing Norwegian natural gas to Denmark in the medium term and of converting the natural gas system to a renewable energy-based gas system<sup>3</sup> capable of functioning as a storage facility for large amounts of wind power in the energy system of the future.

Energinet.dk can play an active role in designing the energy system of the future in these years especially because of its employees' dedication and innovative thinking. Similarly, the competencies of Energinet.dk's employees are an important reason why the daily operation of the electricity and gas systems, which is aimed at ensuring consumers a stable energy supply at market-based prices, was highly satisfactory also in 2010.

### **The energy system of the future**

There is broad political consensus that Denmark should work on becoming independent of fossil fuels while simultaneously maintaining the high security of supply. This ambition is central to Energinet.dk's activities.

Energinet.dk is working in both the short, medium and long term to support a substantial wind power expansion as this - in the opinion of Energinet.dk and the Climate Commission - is a key element of the power system of the future.

Specifically, Energinet.dk has launched a number of initiatives aimed at ensuring the effective integration of wind power into the power system. These initiatives include the expansion of the electricity infrastructure, increased flexibility in power generation and consumption, and the development and implementation of Smart Grid solutions.

### **The role of gas in the power system of the future**

The gas system will play a pivotal role in the transition phase. Energinet.dk has therefore launched a number of initiatives the purpose of which is to expand and reinforce the gas system. These initiatives include expanding the gas infrastructure to Germany and analysing the perspectives of a possible new gas pipeline to Norway. Energinet.dk is also investigating the large potential of converting the gas system to renewable energy-based gas types in the long term. The reason for this is that the gas system may be the storage facility which in the long term can balance and thus contribute to ensuring energy supply when most of the energy comes from fluctuating, renewable energy resources.

### **The energy system in 2050**

By way of providing an input to the discussion about the long-term conversion of the energy system, Energinet.dk published in 2010 the report 'Energy 2050 - development tracks for the



energy system (*Energi 2050 - udviklingsspor for energisystemet*). The report outlines four possible tracks for the Danish energy system to follow towards 2050. The four development tracks all stem from a long-term objective of neutralising the energy sector's climate impact while maintaining security of supply. The report operates with two ways of achieving the overall objectives, one focusing on making the Danish energy system CO<sub>2</sub> neutral, and the other involving a complete phase-out of all fossil fuels. Irrespective of the choice of development track, the power system will play a pivotal role in the energy system of the future, as will the natural gas system. At the same time, analyses show that from an economic viewpoint the expected increase in fossil fuel prices together with the expected fall in renewable energy prices will make the complete conversion of the energy system a sound move.

### **The intelligent power system**

Energinet.dk assesses that the intelligent power system, which features communication between power generation, power consumption and the other power system components – known as Smart Grid – is a must if the energy system is to be converted. Against this background, Energinet.dk teamed up with the Danish Energy Association in preparing the report 'Smart Grid in Denmark'. The report concludes that a Smart Grid would be the most efficient way of developing a society that is independent of fossil fuels and uses large amounts of wind power for transport and heating.

Energinet.dk is also working in more concrete ways via its own research and development projects to convert the power sys-

tem to more renewable energy and develop the intelligent power system.

In the Smart Grid project EcoGrid EU Energinet.dk has joined forces with European universities and industrial partners in implementing from March 2011 and four years onwards a full-scale prototype project in the Baltic island of Bornholm involving the complete roll-out of Smart Grids in a power system with more than 50% renewable energy. The main objective of the project is to demonstrate efficient operation and new market solutions in a power system featuring extensive integration of many different renewable energy sources. In February 2011, Energinet.dk was granted project funding in the amount of EUR 12.8 million from the European Commission. EcoGrid EU has a total budget of EUR 25 million.

The development of the intelligent power system came one important step closer in November 2010 when Energinet.dk successfully tested the cell controller for the first time. The cell controller is a complete prototype of a control and monitoring system capable of automatically operating an entire distribution network. The new technology will make the power system more flexible, while ensuring that the resources in the system are utilised in the most expedient manner. The Cell Project is implemented in close collaboration with Syd Energi Net, the owners of the CHP plants and the wind turbines in the test area, and selected engineering and service companies. In 2011, a copy of the cell controller will be installed on the Baltic island of Bornholm as part of the EcoGrid EU project.



Energinet.dk participates in the world's largest demonstration test with intelligent heat pumps where 300 house owners replace their oil-fired burners with an intelligently controlled, electrically-driven heat pump. The 300 intelligent heat pumps can be controlled as if they constitute one large energy storage facility capable of storing electricity as heat. The purpose of the demonstration project is thus to increase the use of renewable energy in Denmark.

## Gas market

### Gas trading

At the turn of the year 2009-2010, the gas exchange Nord Pool Gas had its virtual breakthrough in the Danish-Swedish gas market. Throughout 2010, the gas exchange experienced a high level of activity and total sales of gas in excess of 3,5 TWh, which corresponds to around 10% of Danish gas consumption. In 2009, this figure was 3%.

This positive development took off in October 2009, when approximately 100 trades were conducted. The number of trades climbed throughout the winter, peaking in March 2010 at more than 800 trades in one month. The increase in the number of trades is attributable to three factors: First, the winter months January-March 2010 were colder than normal and were followed by another colder-than-normal spell in November-December 2010. Second, a great deal of electricity was produced on natural gas, among other places at two new gas-fired power stations in southern Sweden. Third, there was congestion on the Danish-German border throughout the

year which positively impacted the number of trades on Nord Pool Gas.

Because of the congestion on the Danish-German border and the high demand for gas created by the cold weather in Sweden and Denmark, the Danish gas price landed at the end of the year at a level that was approximately EUR 10/MWh higher than the German and Dutch gas price, which was approximately EUR 23/MWh.

Trading activity at Energinet.dk's virtual market place – the so-called Gas Transfer Facility (GTF) – continued in 2010 at a stable level, covering around 60% of Danish consumption.

### Development of the gas market

In the past two years, Energinet.dk has been working on several joint projects in collaboration with the gas transmission companies south of the Danish border. In collaboration with the Dutch TSO, Gas Transport Service, and the Germany TSO, Gasunie Deutschland, Energinet.dk succeeded in 2010 in setting up a new joint trading platform – Link4Hubs. Link4Hubs is a service that enables shippers to transport gas across several European borders. The trade is effected on the day before the gas is to be transported physically – ie it is offered as a day-ahead service. The fundamental idea behind the concept is that wholesalers by clicking a link in a joint platform can transport gas from the Danish gas market direct to north Germany and the Netherlands, for example, without having to book capacity in and out of the areas involved. The service is offered in Denmark, northern Germany and the



Netherlands, and it is possible for more TSOs or countries to connect to it.

#### **Biogas in the natural gas network**

In May 2010, Energinet.dk made it possible to trade and consume upgraded biogas<sup>4</sup> via the natural gas network. As yet, no upgrading facilities have been physically connected to the network, but they will presumably be established when it has been finally decided how to handle biogas subsidies. In 2011, Energinet.dk expects to supplement the market model with a documentation scheme for trading biogas via the gas network. This work is coordinated with other EU member states taking the same step.

For the second year running, Energinet.dk arranged a large biogas seminar for around 150 players from the biogas industry.

### **The electricity market**

#### **Electricity price in 2010**

The electricity price started and ended 2010 well above normal because of the very low temperatures experienced in the first and last months of the year. Pricing in the common Nordic market was also affected by very low water levels in the Nordic water reservoirs, outages, and repairs at the Swedish nuclear power stations in the first months of the year.

In Western Denmark, the average electricity price in 2010 was DKK 0.346/kWh, which is an increase on 2009 of 0.077/kWh. In Eastern Denmark, however, the average electricity price

was somewhat higher in 2010, namely DKK 0.424/kWh, compared with DKK 0.297/kWh on average in 2009. The price differences are a consequence of Eastern Denmark being closely linked to the Nordic electricity market, which experienced fairly high electricity prices in 2010 as a result of, among other things, low water levels in the water reservoirs. Western Denmark is connected to the central European electricity market where electricity prices were lower than in the Nordic region in 2010.

In early December 2010, the East Danish electricity price hit for the first time Nord Pool Spot's price ceiling of DKK 1.49/kWh for a two-hour period. This was due to the very cold weather in the Nordic region, very low power generation by the wind turbines in Eastern Denmark, Svenska Kraftnät's restrictions on the power links between Denmark and Sweden, and repairs on the Kontek Link to Germany.

#### **Development of the wholesale market**

The Great Belt Power Link, which is the first direct electricity connection between Eastern and Western Denmark, was commissioned at the end of August 2010. During the four months of operation in 2010, electricity was transmitted from Western Denmark to Eastern Denmark for 3,048 hours, while electricity was only transmitted from Eastern Denmark to Western Denmark for 14 hours. The Great Belt Power Link helped to keep down East Danish wholesale prices, but its capacity is not sufficient to ensure similar prices in the two parts of the country during all hours.



The market coupling between the Nordic region and Germany was launched at the end of 2009, and 2010 was thus the first full year with market coupling. This resulted in similar prices in Germany and Jutland for many hours of the year and a more socioeconomically correct utilisation of the power links between the Nordic countries and Germany.

On 9 November 2010, the Nordic region and the central and western European region (known as CWE) set up market coupling<sup>5</sup> in the day-ahead market<sup>6</sup>. As such, 60% of Europe's power consumption is linked together in one common market. The market coupling is the responsibility of the European Market Coupling Company (EMCC), of which Energinet.dk is a co-owner.

The market coupling between the Nordic region and the CWE is a significant step forward in the integration of the European electricity markets. In areas linked together through market coupling, the market prices will converge just as power generation can be expected to increasingly adapt itself to the situation in neighbouring markets. Other things being equal, the energy resources will thus be utilised more efficiently.

#### **Development of the retail market**

In Q4 2010, Energinet.dk spearheaded a campaign aimed at informing electricity consumers of the possibility of freely choosing their own electricity supplier and increasing their knowledge of the website [www.elpristavlen.dk](http://www.elpristavlen.dk). This website, where electricity consumers can find and compare electricity products and prices, was launched by the Danish Energy Associ-

ation. The campaign raised electricity consumers' awareness of [www.elpristavlen.dk](http://www.elpristavlen.dk) and the possibility of changing electricity supplier, and it was one step on the road towards increasing competition and developing the private customer market, which has been rather sluggish.

Energinet.dk will continue its efforts to develop the retail market by investigating which initiatives can be launched to improve small and medium-sized electricity consumers' possibility of responding to the prices in the electricity market.

The investigation will, for example, look into the barriers - including expenses - that curb the expansion of hourly metering and settlement<sup>7</sup> with, in particular, small electricity consumers who may want to invest in new forms of demand response such as electric vehicles and heat pumps in the near future.

The Nordic Council of Ministers has decided to back the proposal presented by the Nordic energy regulators<sup>8</sup> (NordREG) to set up a common Nordic market for electricity consumers from 2015. The vision is to give consumers access to a free choice of electricity supplier, efficient and competitive prices and reliable electricity supply via the Nordic and European electricity markets. The objective is to harmonise rules, processes, procedures, etc. Throughout 2010, Energinet.dk participated in this work, for example by preparing to harmonise balance settlement<sup>9</sup> between Norway, Finland, Sweden and Denmark. This is an important element in creating a common Nordic end user market. The harmonisation of balance settlement will also reduce the entry barriers to balance responsible parties (BRPs)<sup>10</sup> and may



in time reduce the administrative expenses to the benefit of the consumers.

To support increased competition to the benefit of small and large electricity consumers alike, the then Climate and Energy Minister Connie Hedegaard asked in 2009 Energinet.dk to set up a data hub for the Danish electricity market. The DataHub will administer transactions and communication between all electricity market players and thus contribute to simplified data exchange. As a part of the DataHub project, a web portal solution will be developed that will make it possible for electricity consumers to view their own master and consumption data. In 2010, the market design for the DataHub, which will be launched in April 2012, was completed in collaboration with the Danish Energy Association and a representative selection of market players.

## Investments in the electricity and gas transmission systems

In order to meet the ambitious energy and climate policy objectives, Denmark and Europe will have to transform the energy systems in the years to come. In the future, energy will be produced and consumed in entirely new ways, and therefore a very strong energy infrastructure is required capable of transporting even larger amounts of energy from where it is generated to where it is consumed. This is the most significant reason why Energinet.dk expects to invest DKK 25 billion in the electricity and gas transmission systems in the next 10 years.

In 2010, Energinet.dk invested DKK 1,031 million in electricity and gas transmission facilities as opposed to DKK 984 in 2009.

### New 400 kV transmission line in Jutland

In December 2010, Energinet.dk was granted EIA permission to construct a new 400 kV double-circuit line between Kassø near Aabenraa and Tjele near Viborg, and in January 2011 the Danish Climate and Energy Minister approved the investment. The new line, which replaces the existing single-circuit line on the same route, must comply with the principles for enhancing the visual impact of the 400 kV grid. Consequently, the new lines will be placed on towers in a new design, and on shorter sections where the landscapes are particularly sensitive cables will be placed underground. The new line will be placed close to the old one, which will be removed when the new line is ready. The reason for constructing the new line is that the planned wind power expansion makes it necessary to establish additional transmission capacity both in Denmark and across borders. It will also make the grid sufficiently strong to enable the staged integration of long 400 kV cables into the grid and prepare the 400 kV grid structure for the long-term undergrounding/re-structuring of the underlying 150 kV grid.

The expansion of the Kassø-Tjele power line is expected to be completed in 2014 and is budgeted at DKK 2.7 billion.

### The Great Belt Power Link

On 7 September 2010, Queen Margrethe II officially inaugurated the Great Belt Power Link. The commissioning of the Link connected Eastern and Western Denmark electrically for the first



#### Future investments in the transmission systems

	Ongoing projects, DKKm	Planned projects, DKKm
<b>Construction projects 2010-2020</b>		
Electricity transmission lines	7,306	14,701
Other projects, electricity	291	578
Reconstruction, electricity	91	20
Gas transmission	1,655	97
<b>Total</b>	<b>9,343</b>	<b>15,396</b>

time. With its 600 MW capacity, the Great Belt Power Link increases competition in the electricity market, creates more uniform Elspot prices in Eastern and Western Denmark, and reduces the expenses of purchasing reserve capacity. The construction of the Great Power Link cost DKK 1.3 billion. The investment was financed by congestion rents transferred to reserves<sup>11</sup>. As such, the costs of constructing the Great Belt Power Link do therefore not affect Energinet.dk's tariffs.

#### Expansion of electrical connections to other countries

In October 2010, the boards of Energinet.dk and Norwegian-owned Statnett decided to invest in a new DC connection between Denmark and Norway. The new connection is called Skagerrak 4. The 700 MW cable is expected to be commissioned in 2014. The connection will ensure better utilisation of wind power, strengthen security of supply and improve competition in the electricity markets. The new electrical connection will create substantial economic benefits for both Denmark and Norway.

On the Danish side, the existing converter substation in Tjele near Viborg will be expanded, and a 90 km land cable will be installed. The submarine cable will be approximately 140 km long.

Denmark's share of the total construction budget of DKK 3.2 billion is expected to be DKK 1.7 billion.

In addition to adding an extra cable to the Skagerrak interconnection, Energinet.dk and German TSO TenneT have decided to expand the interconnections between Jutland and

Germany. The expansion is a result of the desire to integrate the increasing amounts of wind power that will be generated in Denmark and Germany in the years to come. Initially, DKK 45 million will be invested in the high-voltage grid on the Danish side to increase the transmission capacity of the existing interconnections. The reinforcement of the Danish grid will be coordinated with the reinforcement work on the German side of the border. The reinforcement work is expected to be completed on both sides of the Danish/German border in the course of 2012.

Energinet.dk has teamed up with the Dutch TSO, TenneT, in planning the construction of a 700 MW power link between the Netherlands and Denmark. The purpose of the connection, which is entitled COBRACable, is to improve cohesion in the European transmission grid by increasing the exchange of surplus wind power with neighbouring countries and strengthen the infrastructure, security of supply and the market. The interconnection will generate substantial economic benefits for Denmark.

The two parties will investigate whether the connection can make use of a new technology that could make it possible to connect new offshore wind farms to the cable. COBRACable could as such become the first step on the road towards establishing a transmission grid in the North Sea capable of supporting wind power expansion and strengthening the European transmission grid.

The project has a budget of approximately DKK 3.4 billion, of which around half relates to the Danish part of the cable. The



final investment decision is expected at the end of 2012. If it is decided to go ahead with the project, the European Commission will provide funding to the tune of DKK 645 million from the EU's Economic Recovery Plan (EERP). The connection can be commissioned at the end of 2015.

#### **Offshore grid**

According to the Danish Government's Energy Strategy 2050, which was presented in February 2011, a 600 MW offshore wind farm at Kriegers Flak is Denmark's next large project to increase offshore wind power capacity. Together with the German TSO, 50Hertz Transmission, Energinet.dk has completed a feasibility study of an offshore power grid near Kriegers Flak in the Baltic Sea which will link the two countries' power grids and connect offshore wind turbines to the power grids onshore. By choosing this type of grid connection, Kriegers Flak will contribute to 'spreading' wind energy over a large geographical area and thus strengthen security of supply. At the same time, it will improve the utilisation and increase the value of wind energy in step with the wind power expansion in Denmark and Germany. The connection between the power grids of the two countries can also be used as an extra international connection when the offshore wind turbines are not producing electricity at full capacity. In October 2010, Energinet.dk and 50Hertz Transmission made an agreement with the European Commission to support the project with DKK 1.1 billion (EUR 150 million).

#### **Connection of offshore wind farms**

At the end of March 2010, Energinet.dk was ready to commission the landing facilities for the new offshore wind farm, Rød-

sand 2, situated south of Lolland. Energinet.dk has laid a 9 kilometre 132 kV submarine cable and constructed an offshore substation that collects the electricity generated by the 90 wind turbines and increases the electrical voltage to 132 kV. The facilities cost DKK 256 million in total.

The next large offshore wind farm which Energinet.dk is to connect to the onshore grid will be placed in the waters between Djursland in Jutland and the island of Anholt in the Kattegat. The offshore farm will have a capacity of 400 MW. Energinet.dk is constructing the facilities that are to transmit the electricity generated by the offshore wind turbines to the existing substation in Trige near the city of Aarhus. The installations consist of an offshore substation, an 80 km 220 kV land cable, a cable substation and a 56 km submarine cable. Construction work will be commenced in spring 2011 and completed in summer 2012.

The landing facilities for the Anholt offshore wind farm are budgeted at DKK 1.3 billion.

#### **Visual enhancement and undergrounding**

Energinet.dk has started the work to enhance the visual impact of the 400 kV grid on six sections where overhead lines and towers substantially impact the environment. In 2009, the sections involved were selected in collaboration with the Agency for Spatial and Environmental Planning (now the Danish Nature Agency). In cooperation with the local governments affected Energinet.dk is planning how to perform this work, more specifically whether the enhancement is to be implemented by moving the transmission lines, by erecting towers in a new





design or by using underground cables. The six projects are budgeted at DKK 1.7 billion in total.

In 2010, Energinet.dk started in collaboration with the regional grid companies the ongoing work of planning in detail the undergrounding of the 132 kV and 150 kV grids. The aim is to remove the existing approximately 3,200 circuit kilometres of 132-150 kV overhead lines and replace them with approximately 2,900 km of new 132-150 kV cables over a period of 20 years. Another objective is to enable the undergrounded 132 and 150 kV grids to handle the substantially increasing amounts of wind power. The undergrounding project is budgeted at DKK 15.4 billion.

#### **Long AC cables**

An entirely undergrounded electricity transmission grid has never been realised anywhere in the world, and consequently Energinet.dk cannot draw on international experience in implementing the long-term vision of an undergrounded electricity transmission grid. Against this background, Energinet.dk launched in 2010 an extensive R&D project, DANPAC (DANish Power system with AC Cables). The purpose of the project is to develop and implement technologies for establishing long AC cables in Denmark and ensure that the use of long cables is economically viable. The project is set to run for a period of five years and is divided into a system part with a total of 15 part projects and a component part with 18 part projects. Some of the part projects are executed in the form of PhD projects, but as it is an important goal for Energinet.dk to build up knowhow internally, most of the projects are carried out by Energinet.dk employees. The project is budgeted at DKK 51 billion.

The background of the plans for the 132-150 kV grids, the visual enhancement of the 400 kV grid, the development of long AC cables, and the new 400 kV line in Jutland is an agreement made in the autumn of 2008 by the parties behind the Energy Agreement of 21 February 2008 on new guidelines for the expansion of the electricity transmission grid.

#### **Other investments in the power system**

In December 2010, Energinet.dk commissioned new submarine cables on the Kontek Link between Zealand and Germany. The existing submarine cables were replaced due to problems with leaking joints. Energinet.dk's share of the expenses amounted to DKK 215 million.

In order to ensure security of supply on the island of Læsø, Energinet.dk has decided to replace the existing 20 kV cable to the island with a new 60 kV cable. The new cable is expected to be commissioned in 2011 and is budgeted at DKK 35 million.

#### **Expansion of the natural gas network**

In 2010, the Danish Climate and Energy Minister gave Energinet.dk permission to build a new compressor station and to loop the 94 km gas pipeline between Ellund near the Danish-German border and the town of Egtved. The expansion was decided on the basis of an Open Season process conducted by Energinet.dk in 2009 to get the market players' indications of where new gas transport capacity would be required. An Open Season process is a bidding process where market players can submit bids for long-term transport contracts concerning newly established transport capacity. The process is recommended

by the European energy regulators and traders. In Open Season 2009, the market players indicated that a reinforcement of the gas pipeline between Ellund and Egtved and a compressor station would most benefit the Danish market.

The compressor station, which will be constructed at Energinet.dk's site in Egtved, makes it possible to increase the pressure in the gas system, thus providing the flexibility required to ensure security of supply when natural gas production in the Danish part of the North Sea starts to decline. The new gas transmission pipeline will to the extent possible be laid in parallel with the existing pipeline.

The expansion of the gas system in southern Jutland will secure the future supply of gas to the Danish and Swedish consumers. Having several sources and suppliers will also increase security of supply. Competition in the gas market will also intensify, ensuring the best possible price for the consumers.

The construction project, which was granted an Environmental Impact Assessment (EIA) permit at the end of December 2010, will be launched in 2011 and commissioned in 2013.

The project, which will cost a total of DKK 1.7 billion, has been granted funding under the EU's Economic Recovery Plan of DKK 740 million.

### **Operation of the gas transmission system**

In 2010, the Danish natural gas system received gas from Germany for the first time since 1984. After having tested small deliveries of gas over the summer, Energinet.dk could from 1 October 2010 place physical northbound capacity to the tune of 2.2 million kWh/h (200,000 m<sup>3</sup>/h) at the disposal of the shippers. The capacity has been utilised to the full for a long, uninterrupted period of time, and in 2010 total imports from Germany reached almost 1.6 billion kWh (140 million m<sup>3</sup>).

The import of gas from Germany will in the years to come be necessary in order to make up for the falling North Sea production and thus to protect consumers from disproportionately high price increases.

### **Security of supply**

To ensure security of gas supply in emergency situations, Energinet.dk buys access to the Danish gas storage facilities as well as access to gas via the Syd Arne pipeline. Energinet.dk also concludes individual contracts with large end-consumption sites – primarily CHP plants – on the interruption of consumption.

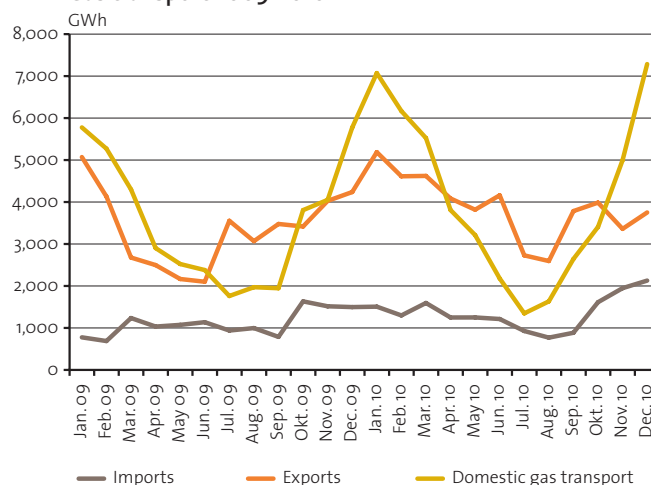
The total expenses relating to ensuring security of emergency gas supply were DKK 241 million in 2010 as opposed to DKK 308 million in 2009. The falling expenses are primarily attributable to changed market conditions and a changed procurement strategy.

Increased competition in respect of emergency supplies from the North Sea through the Syd Arne pipeline was a contributory factor in the falling payment for this service. Moreover, a fall in

## Gas transport - 2010 and 2009

Gas GWh	2010	2009
Transport in gas transmission network	95,965	82,888
Imports (from Sweden and Germany)	16,382	13,312
Exports (to Sweden and Germany)	46,687	40,422
Consumption	49,278	42,465

Gas transport 2009-2010



the price for disconnecting large end consumption sites in emergency supply situations - so-called interruptible emergency supply<sup>12</sup> - fell. One of the reasons for the fall is that fuel prices were especially high in the winter of 2008/2009. Also, there were expectations of high electricity prices which led to high payments for interruptible emergency supply the previous year. In the winter of 2009/2010, the prices were at a more normal level, which resulted in falling prices for emergency supply.

A changed procurement strategy has also had a significant impact on the level of expenses. To a far greater extent than in previous years it proved possible to optimise the purchase of storage capacity and interruptibility by creating competition across the two emergency supply tools, and additional market-based procurement forms were introduced, including calls for tender. Energinet.dk also entered into a new agreement on different terms for the delivery of gas in emergency supply situations via the Syd Arne pipeline.

Energinet.dk expects that these changes in combination with infrastructure investments, which enable gas imports from Germany, will further reduce the overall expenses related to maintaining security of supply in the years ahead.

At the end of 2010, the EU adopted a new security of supply regulation for the gas area which introduces new, harmonised rules for emergency supply in the Member States. From 2012, this will change the extent of and the way in which the emergency supply task is handled. In outline, private consumers, small industrial enterprises, particularly vulnerable con-

sumers such as hospitals etc., and district heating plants will receive gas in emergency supply situations. The regulation introduces the notion of regional solidarity, and the Danish emergency supply measures should therefore also consider the neighbouring countries. Finally, the new rules will change the distribution of responsibilities in respect of the Danish consumers' security of supply. In collaboration with the Danish Energy Agency, Energinet.dk is investigating the full ramifications of the regulation and will in the coming years in cooperation with the energy industry implement a new emergency supply model that meets the requirements of the regulation.

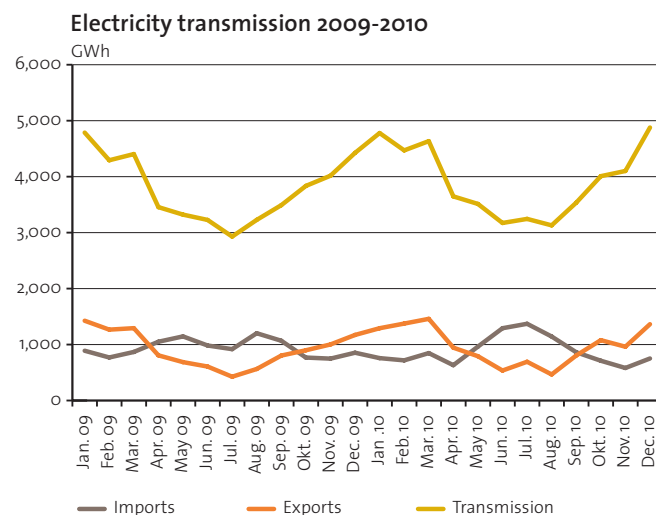
## Operation of the electricity transmission system

In line with previous years, 2010 was characterised by a very high degree of operational reliability. There were no faults in the main electricity transmission system resulting in power cuts, but the islands of Bornholm and Læsø experienced power cuts due to faults in the power cables to the islands.

On 10 January 2010, the 60 kV cable to Bornholm was cut in two by a ship dropping its anchor on the cable. This caused a one-hour power cut until the reserve facilities on the island were fully operational to supply the entire island. The cable repair work was completed in early February.

On 11 October 2010, the inhabitants of Læsø had no power for almost four hours. The power cut was caused by a fault in the

Electricity transmission - 2010 and 2009		
EI GWh	2010	2009
Transmission in electricity transmission grid	47,114	45,554
Imports (from the Nordic countries and Germany)	10,630	11,264
Exports (to the Nordic countries and Germany)	11,765	10,930
Consumption (incl. transmission losses)	35,483	34,623



20 kV cable to the island. The cable returned to normal operation at the end of October. In the intervening period, Læsø received power via the 400 kV cables to Sweden. In 2009, after Læsø experienced a power cut due to a fault in the cable to the island, Energinet.dk decided to replace the cable. The new cable will be commissioned in autumn 2011.

In December 2010, Konti-Skan 1, which is one of two electrical connections between Jutland and Sweden, was recommissioned after major transformer repair work. The transformer broke down in October 2009 and was shipped to England for repairs.

#### Changes in power system operation

In the course of 2010, system operation in Denmark changed radically because of major changes to electricity-generation facilities and the commissioning of the Great Belt Power Link.

DONG Energy decommissioned two central power stations, namely block 5 at Asnæs Power Station (640 MW) and block 3 at Studstrup Power Station (380 MW). These power stations represented around 16% of the central power stations' total generation capacity. Because of the reduced capacity, Denmark may have to depend on electricity imports from other countries in peak-load situations.

The other significant change to impact system operation was the commissioning of the Great Belt Power Link. The electrical connection between Eastern and Western Denmark improved the flexibility of the Danish power system and security of supply on Zealand.

#### Integration of regional electricity transmission grid

Following modification of the substations in the 132 kV grid in north Zealand and organisational preparations Energinet.dk will in 2011 take over the operation of this grid. In 2008, Energinet.dk took over ownership of the regional transmission grid in north Zealand which consists of around 600 circuit km of overhead lines and cables and 31 substations. Energinet.dk takes over the operation of the first substation on 1 September 2011 and of the last substation in spring 2012.

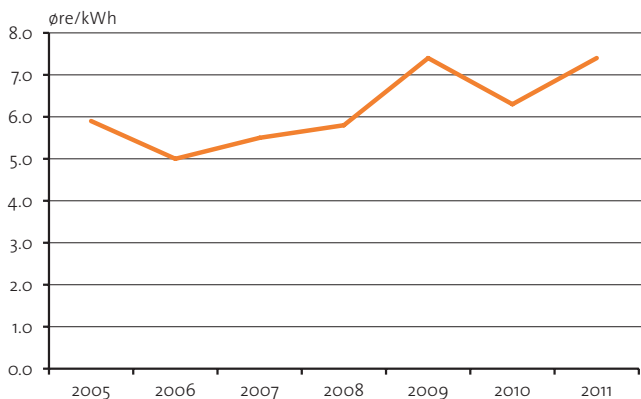
#### Security of supply

To ensure security of electricity supply, Energinet.dk concludes agreements on the supply of ancillary services in the form of reserve capacity and regulating power.

In December 2010, a five-year agreement was made with DONG Energy for the supply of ancillary services from Kyndby Power Station and Masnedø Power Station in the period 2011-2015. The agreement includes emergency start-up units<sup>13</sup> and manual reserves<sup>14</sup> amounting to 675 MW.

Because of the commissioning of the Great Belt Power Link, Energinet.dk was able to share reserves between Eastern and Western Denmark by making reservations on the Link in the intraday market<sup>15</sup>. The reservation was approved by the Danish Energy Regulatory Authority in the summer of 2010. When the reserves were divided between Eastern and Western Denmark, the purchase of manual reserves in Western Denmark fell by 300 MW.

Electricity tariffs (grid and system) 2005-2011



PSO tariff 2005-2011



The expenses of purchasing electricity reserve capacity<sup>16</sup> was DKK 834 million in 2010 as opposed to DKK 638 million in 2009. In addition, the expenses of buying regulating power<sup>17</sup> were DKK 277 million in 2010 compared to DKK 182 million in 2009. The rising expenses relate to the East Danish electricity market where the cold winter put pressure on the Nordic power system, generating high demand for production capacity and thus high prices of reserves and regulating power.

## Electricity and gas tariffs

### Electricity tariffs

Energinet.dk's electricity tariffs are divided into a system tariff and a grid tariff. The system tariff covers the expenses of operating the power system and ensuring security of supply. The grid tariff covers expenses in relation to the operation and maintenance of Energinet.dk's own transmission grid and payments to the regional grid companies that make their 132 and 150 kV grids available to Energinet.dk.

From 1 January 2011, Energinet.dk will use the same tariffs for Eastern and Western Denmark. Until now, different tariffs have been used in the two parts of the country, one of the reasons being that they were not connected electrically. The decision to construct the Great Belt Power Link was also a political decision aimed at ensuring that Energinet.dk's electricity tariffs would be the same in all of Denmark.

At 1 January 2011, the grid and system tariffs were budgeted at DKK 0.074/kWh. Compared to Energinet.dk's 2010 tariffs, the

tariffs rose by DKK 0.011/kWh. The reason for the increase is primarily that a deficit from 2010 of DKK 0.09/kWh has been included in the 2011 tariff, chiefly due to higher than expected expenses in relation to ancillary services and reserve capacity in 2010. The tariff increase is also attributable to higher expenses in relation to depreciation, operation and maintenance, and the financing of new infrastructure installations, predominantly the landing facilities from the new offshore wind farms Horns Rev 2 and Rødsand 2.

### PSO tariff

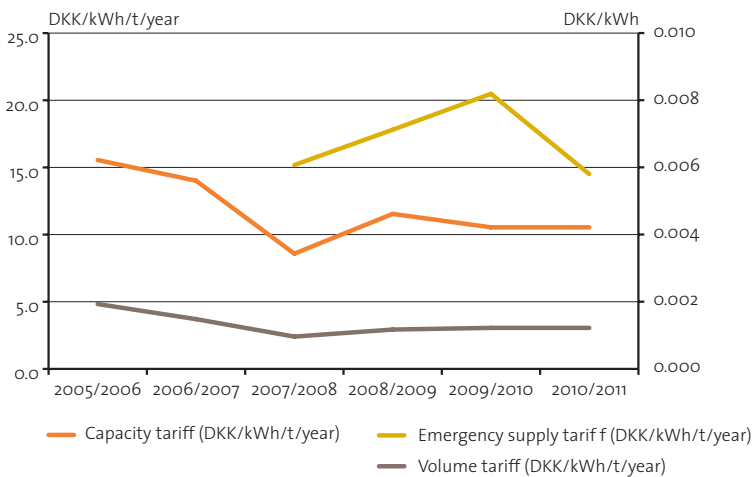
Energinet.dk's PSO tariff covers the statutory expenses in relation to Public Service Obligations (PSOs), primarily subsidies for environmentally friendly power generation and funding of R&D projects. In 2010, the average PSO tariff was DKK 0.085/kWh, and it is expected to fall to DKK 0.075/kWh on average in 2011. The PSO tariff depends to a large extent on the electricity market price as Energinet.dk's subsidies for environmentally friendly power generation are at their lowest when the electricity price is high and vice versa.

### Gas tariffs

Energinet.dk's gas tariffs are divided into a capacity tariff, a volume tariff and an emergency supply tariff.

The capacity and volume tariffs cover the expenses of operating and maintaining the gas system while the emergency supply tariff covers the expenses of maintaining Energinet.dk's emergency preparedness.

**Gas tariffs 2005/2006 - 2010/2011**



The expenses of and thus the tariffs for the above-mentioned gas transmission activities fell by approximately 20% in the 2005-2010 period. The capacity tariff dropped from DKK 15.55/kWh/t/year to DKK 10.54/kWh/t/year in the same period. The volume tariff dropped from DKK 0.00193/kWh to DKK 0.00122/kWh. 2007 saw the introduction of an emergency supply tariff, which in 2011 amounted to DKK 0.0058/kWh.

### Energinet.dk Gas Storage

Energinet.dk Gas Storage is a Energinet.dk subsidiary tasked with selling storage capacity in the gas market on commercial terms.

#### Sale of gas storage capacity

As was the case in 2009, Energinet.dk Gas Storage's natural gas capacity was sold at auctions in 2010 to ensure fair, transparent distribution. In addition to the one-year and three-year contracts, a highly flexible product and five-year contracts were also offered in 2010.

Energinet.dk Gas Storage continued to develop storage products and sales mechanisms in line with market requirements. The autumn of 2010 saw the introduction of a monthly product, and in January 2011, contracts with terms of up to 10 years were auctioned off. The entire capacity on offer, ie 700 GWh or 15% of the capacity in the gas storage facility, was sold.

#### Maintenance of gas storage facility

Energinet.dk must maintain Lille Torup gas storage facility part-

ly to ensure that the condition of the long production pipes leading down to the seven caverns<sup>18</sup> making up the storage facility is acceptable and partly because the caverns have shrunk by close to 10% since they were established almost 25 years ago. Because of this, it is necessary to re-leach the caverns and restore their volume.

In December 2007, Energinet.dk asked the environmental authorities for permission to maintain the existing caverns and to expand the facility by adding new caverns. In 2010, Energinet.dk reassessed the need for storage capacity and decided to reduce the project to only comprise the maintenance of the existing caverns.

Maintaining the caverns is necessary in order to maintain security of supply in the years ahead when the production of gas in the Danish part of the North Sea begins to decline and is gradually replaced by imported natural gas. This increases the need for storing gas in the immediate vicinity of the consumers.

Energinet.dk also wants the natural gas to be supplied at competitive prices. In order for players to act in the Danish natural gas market on equal terms, it is essential that they have access to storing gas when this is required.

Provided that an EIA permission is granted in 2011, the re-leaching of the seven caverns can be completed in approximately ten years.

## Health and safety

In 2009 and 2010, Energinet.dk focused particularly on updating its occupational health and safety management system. All health and safety processes were thus reviewed with a view to improvement, efficiency enhancement and implementation. In that connection, a team of occupational health and safety auditors were trained. This team have conducted systematic occupational health and safety audits in the Enterprise to establish whether the management system has been effectively implemented and functions as intended.

Against the background of the Danish Working Environment Authority's stricter requirements for contractors, Energinet.dk has trained a large team of safety coordinators. These coordinators coordinate and document occupational health and safety in connection with projecting and construction projects.

In 2010, Energinet.dk prepared for the new rules issued by the Danish Working Environment Authority regarding the organisation of occupational health and safety tasks that came into effect on 1 October 2010. In this connection, Energinet.dk drafted an action plan for health and safety tasks in 2010 and 2011.

Energinet.dk maintains a high focus on minimising the number of occupational injuries, and from 2011, any occupational injuries experienced by external craftsmen and consultants will be recorded when such personnel perform work on or in Energinet.dk installations and buildings.

In 2010, Energinet.dk experienced two reportable occupational injuries compared to three in 2009. All five injuries occurred in administrative buildings or in public transport. As such, there were no injuries resulting from work performed in electricity and gas facilities. Collectively, the two injuries in 2010 resulted in 264 hours of lost time.

Energinet.dk has a very low number of occupational injuries compared to other business sectors and Denmark as a whole. In the 2009 statistics prepared by the Danish Employers' Association, the injury frequency rate of the member enterprises was 20.9 while the lost time injury frequency rate was 3.0. In 2010, Energinet.dk's injury frequency rate was 2.3, whereas the lost time injury frequency rate was 0.

## Collaboration with European TSOs

Energinet.dk is a member of ENTSG (European Network of Transmission System Operators - Gas) and of ENTSOE (European Network of Transmission System Operators - Electricity). The two organisations will, among other things, define binding technical and market rules for cross-border energy transmission, thus contributing to the development of more efficient European energy markets.

ENTSG increased the scope of its activities throughout all of 2010. In addition to the basic tasks such as organisation, strategy for the coming years and major staff increases, the work of preparing common market rules has commenced in three areas: capacity allocation, congestion management and balancing.



This work is governed by the Directive process, which on the basis of the overall guidelines issued by the regulators is to be implemented by ENTSOG in specific regulations. The work of preparing the capacity allocation regulation is expected to be completed in mid 2012.

ENTSOG has also prepared the annual Winter Supply Outlook and Summer Supply Outlook, which analyse and comment upon the capacity situation as a whole in the EU. ENTSOG has also published its second 10-year grid development plan. The most recent report, which covers the 2011-2021 period, places the two Danish border points to Germany and Sweden, respectively, at the top of its list of critical border points.

In the electricity area, ENTSOE published in 2010 several reports, including its first plan for the development of the European electricity transmission system in the coming 10 years. The plan is not binding on ENTSOE's members, but it highlights the need for new infrastructure and the associated challenges. In particular, there will be a need for investing considerably in the grid in order to achieve the ambitious European objective of integrating more renewable energy into the power system, predominantly wind. The grid development plan was a significant input to the European Commission's infrastructure package, which was published in November 2010. The grid development plan is published every other year.

Research and development is a focus area for ENTSOE, and the first R&D plan was published in the beginning of 2010. The plan ensures coordination across the members' various research

projects. To strengthen this particular area, ENTSOE subsequently set up an R&D committee operating at the same level as the other committees for market, system development and system operation issues. Energinet.dk has a seat on all the committees, participates in selected working groups and regional groups, and has several important chairmanships.

The European Commission's guidelines for transit compensation<sup>19</sup> came into force in 2010. The final guideline is not materially different from the temporary TSO agreement, which ENTSOE signed in 2009.

Preparing binding grid rules is one of ENTSOE's most important tasks. This work is part of a major process where the European Commission and the European energy regulators<sup>20</sup> (ERGEG/ACER) also have a role to play. In 2010, the three parties joined forces in a pilot project to determine a best practice before the work of drafting grid rules really gets under way in 2011.

At the end of 2010, the European regulators published transparency guidelines. ENTSOE has been involved in the process on an ongoing basis and will in 2011 be responsible for the important work of preparing detailed definitions of the data to be published.

### **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 November 2010, Energinet.dk arranged an unscheduled training exercise for the enterprises in the electricity and natural gas sectors. The focal point of the exercise was a series of incidents that could have occurred in connection with a two-day heads-of-state meeting in Copenhagen while Denmark holds the chairmanship of the EU in the first half-year of 2012. The exercise was a good occasion for practising communication internally in Energinet.dk and externally with authorities and enterprises in the sectors. The evaluation of the exercise did not render it necessary to materially change preparedness planning.

Energinet.dk's agreement with Virksomhedshjemmeværnet (The Danish Corporate Home Guard) led to good collaboration on the protection of installations as well as the planning and staging of training exercises in 2010.

In 2010, Energinet.dk signed a declaration of intent for the Nordic electricity sector cooperation, NordBER. The declaration of intent comprises a plan for the implementation of a more binding collaboration. Over a three-year period, a common Nordic risk and vulnerability analysis and preparedness plan is to be prepared. In addition, joint training exercises will be arranged.

In 2010, Energinet.dk also participated in the Danish Energy Regulatory Authority's work of implementing EU directive 2008/114/EC of 8 December 2008 on the identification and designation of European critical infrastructures and the assessment of the need to improve their protection in Danish legislation.

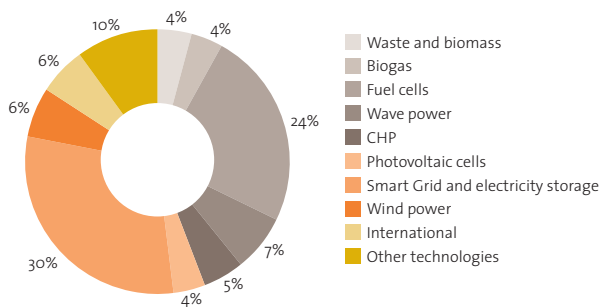
## Promotion of environmentally friendly power generation

Energinet.dk has a statutory obligation to promote environmentally friendly energy. Among the means used are subsidies for environmentally friendly electricity and CHP generation, payment of the expenses of connecting environmentally friendly power generation installations to the grid, and financial support to research and development of environmentally friendly power generation and efficient energy use.

Energinet.dk is obliged to buy electricity produced by certain local CHP plants and certain wind turbines. The electricity generated is bought at the statutory purchase price and sold on the power exchange, ie Nord Pool Spot. The difference is charged via the PSO tariff (Public Service Obligation) on the consumers' electricity bills. The same applies to the subsidies etc., which Energinet.dk pays to wind turbines and local CHP plants operating on market terms.

Energinet.dk also administers four schemes under the Danish Act on the promotion of renewable energy. This is a DKK 10 million scheme under which wind-turbine owners can apply for funding of preliminary investigations etc.; neighbours of wind turbines have the right to buy shares in new wind-turbine projects; local citizens are entitled to compensation if new wind turbines cause the value of their property to fall by more than 1% (value loss scheme); and local authorities can apply for funding of initiatives aimed at enhancing social acceptance of renewable energy (green scheme). Common to the schemes is that they cover wind turbines higher than

**ForskEL 2011**  
Projects prioritised for funding



25 metres and offshore wind turbines that have not been put up for tender.

Until February 2011, Energinet.dk had considered 39 wind turbine projects with a total installed capacity of between 480 and 530 MW under the new schemes. Of the projects discussed, a total of 69.8 MW have already been connected to the power system. The Valuation Authority, which determines the value loss, has reached a decision in nine wind turbine projects. The total compensation amounts to around DKK 5 million. So far, eleven guarantees of DKK 500,000 have been issued to local wind turbine cooperatives. Under the green scheme Energinet.dk has issued 15 commitments to eight local governments for grants in the amount of DKK 792,760. A total of DKK 100,000 has been paid out under the green schemes.

## Research and development

### Financial support to environmentally friendly power generation

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

Energinet.dk also administers the ForskVE and ForskNG programmes. ForskVE is a programme that supports the dissemination of photovoltaic cell, wave power and biogasification technologies with DKK 25 million annually, initially in the 2008-

2011 period. ForskNG is a special research programme within the field of natural gas, the purpose of which is to ensure research and development of tomorrow's gas systems. The support to ForskNG is financed through Energinet.dk's gas transmission tariffs.

Each year, the Danish Minister for Climate and Energy determines the focus areas to benefit from PSO-financed research and development upon the recommendation of Energinet.dk. Support is granted to projects 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 - Net.

In 2010, Energinet.dk received a total of 76 applications for funding through ForskEL, ForskVE and ForskNG. 41 of the projects were prioritised for funding in the amount of DKK 158 million; 33 of these projects were under ForskEL, five were under ForskVE while the remaining three were under ForskNG.

Within the ForskVE programme, projects dealing with photovoltaic cells and biogasification in particular were prioritised for funding.

### Own research programmes

Energinet.dk has a statutory duty to initiate the research and development projects necessary to maintain high security of supply and develop the electricity and natural gas systems to

the benefit of the environment, society and customers. These activities are financed through Energinet.dk's electricity and gas tariffs. These activities are described in the chapter 'The power system of the future'.

## Environment

Each year, Energinet.dk publishes a statutory environmental report providing a statement of emissions to the environment from electricity and CHP generation in Denmark. The statement comprises the emission of eight substances to the air and seven residual products. A 10-year forecast of the development in the environmental conditions of the electricity sector is also included. 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.

## Knowledge resources and organisation

### Attracting and retaining employees

At year-end 2009, Energinet.dk had 544 employees (539 full-time positions). Of the 544 employees, 378 were men and 166 were women. Women thus make up 31% of the workforce. In

the past three years, this share has grown by 1% annually. Employee turnover was at 6.8%. In 2010, 49 new employees were employed in permanent positions, whereas 20 employees have resigned, nine of them taking retirement. In 2009, 58 new employees were employed in permanent positions.

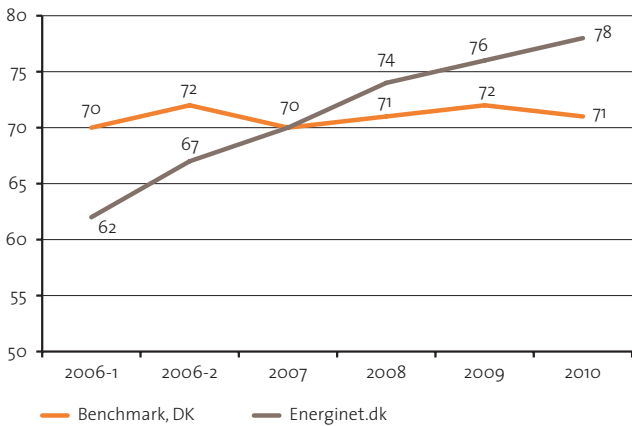
Energinet.dk works with employer branding<sup>21</sup> in a structured and determined manner. It is therefore satisfactory that the Enterprise improved its position in the image survey performed by the Danish weekly periodical *Ingeniøren* among the 111 largest engineering companies in Denmark. Energinet.dk is now ranked at number 43 while it was ranked at number 63 in 2008.

In 2010, Energinet.dk continued its Graduate Programme, which was introduced to strengthen recruitment of qualified employees and to ease an expected succession. In the beginning of 2011, there were 12 graduates in Energinet.dk. The third team of graduates completed their employment on 31 August 2010, and five out of six graduates were subsequently employed with Energinet.dk in permanent or temporary jobs.

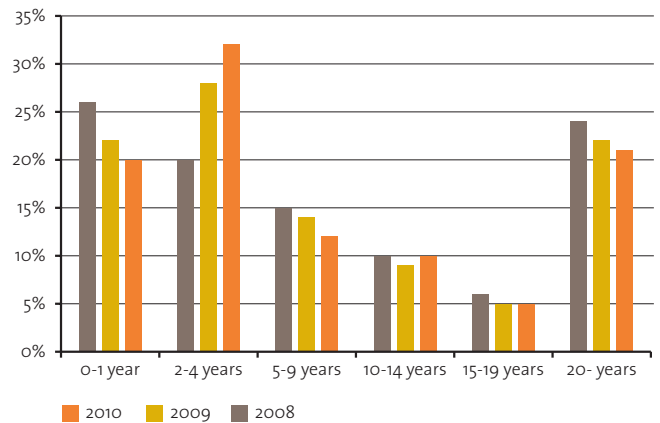
### Employee satisfaction and development

Energinet.dk works determinedly to increase employee satisfaction. At year-end, the annual survey showed an increase in employee satisfaction from index 76 to index 78, which means that Energinet.dk's employee satisfaction rate is now on a par with the best Danish enterprises where the average job satisfaction is at index 71. The employees' assessment of their immediate managers is still markedly higher than the general level of Danish enterprises, and satisfaction with the possibilities of

**Main results Job satisfaction, Energinet.dk, employee satisfaction study (MTU) 2010:**



**Seniority**



personal and professional development is very high. This is all completely in line with Energinet.dk's objectives.

The objective for 2011 is to further improve employee satisfaction by constantly focusing on issues such as leadership, professional and personal development, and the daily work.

To ensure that employee competencies are developed to suit the requirements involved in developing the energy system of the future, Energinet.dk makes sure that the individual employees have excellent opportunities for developing personally and professionally. Again in 2010, Energinet.dk therefore conducted many internal courses for managers, projects managers, specialists and other employees. To support the development of competencies and the educational activities, a new system was developed in 2010 ensuring that everything from annual performance reviews, over development and educational activities to the registration of the competency added is performed in an efficient manner. At the same time, the system supports the central control of the efforts in relation to the overall competency development strategy.

Energinet.dk's health policy aims to ensure that its employees enjoy good health irrespective of their age. This is primarily done by supporting initiatives and activities proactively and preventatively strengthening the upkeep of good health. The new health scheme that was introduced in 2009 is highly satisfactory and is very popular with the employees.

In 2010, the rate of absence due to sickness was 2.02% as opposed to 2.31% in 2009.

As part of Energinet.dk's senior policy, all senior employees are offered interviews with their immediate manager, the possibility of joining a senior scheme and a senior course by way of preparing for a life outside the labour market.

**Energinet.dk's corporate social responsibility (CSR)**

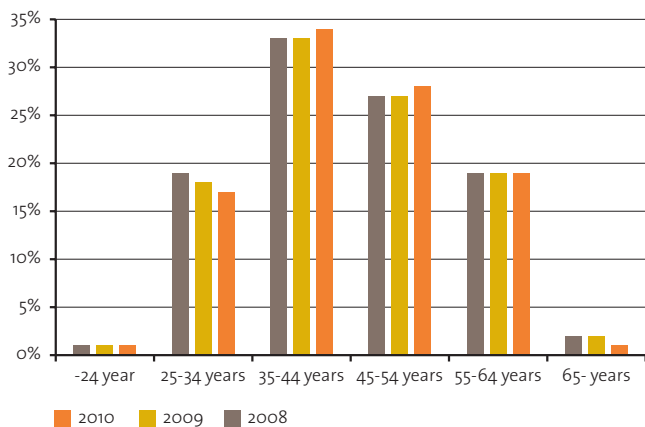
Energinet.dk works with Corporate Social Responsibility (CSR) as a part of its enterprise culture. To Energinet.dk it is essential that the Enterprise is conscious of its responsibility to society, addresses its responsibility and ensures transparency to the outside world as to how it handles the responsibility.

Energinet.dk has been working systematically with social responsibility as a strategic concept since 2008 when the Enterprise joined the UN Global Compact. This involves an obligation to implement ten principles relating to human rights, rights at work, the environment and anti-corruption.

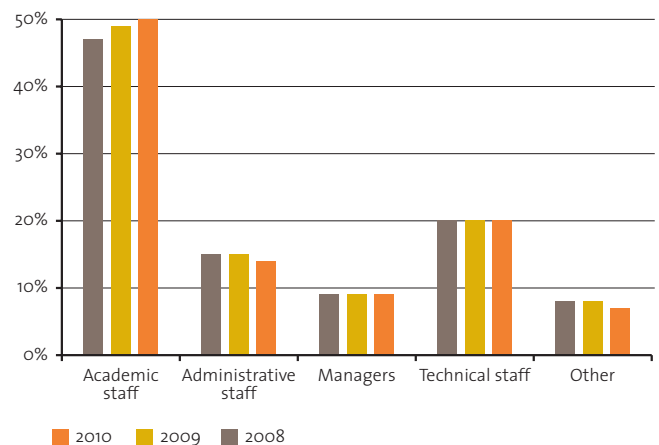
Energinet.dk's activities within social responsibility focus on three areas:

- The employees. Here efforts aim to ensure that the employees have job satisfaction and develop personally and professionally.
- Climate and the environment. Here, Energinet.dk endeavours to minimise its climate and environmental impact.
- Activities in the supplier chain. Here, suppliers are required to observe and comply with guidelines for responsible production and delivery.

Age distribution



Employee groups



Where the employees are concerned, Energinet.dk worked in 2010 with the themes equal opportunities, establishment of traineeships with special focus on young Danes with a different ethnic background, and health and safety processes, which have been reviewed with a view to improvement and efficiency enhancement.

Where suppliers are concerned, Energinet.dk implemented in 2010 a Code of Conduct in connection with procurement for major construction projects.

In 2010, the activities within the areas climate and the environment focused on reducing energy consumption in Energinet.dk's buildings and installations. In addition, Energinet.dk has initiated the construction of a new low-energy office building to house the Enterprise's activities on Zealand.

According to the Danish Financial Statements Act, large enterprises must each year give an account of their CSR practices. As Energinet.dk has also joined the UN Global Compact, we have elected to only submit a progress report to the UN. The report is a detailed account of Energinet.dk's social responsibility activities. Energinet.dk published the progress report in March 2011.

## Good corporate governance

### Energinet.dk's view on good corporate governance

Energinet.dk is an independent, public enterprise under the Danish Ministry of Climate and Energy. 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.

Corporate governance is an issue which Energinet.dk's Supervisory Board has discussed and will continue to discuss based on the Enterprise's activities, external framework, history, etc. Good corporate governance is a dynamic process in the course of which Management continuously assesses the need for changes.

Energinet.dk has commenced the implementation of the updated guidelines issued by the Committee on Corporate Governance in Denmark even though Energinet.dk as an independent public enterprise is not obliged to do so. Because of Energinet.dk's ownership structure, some of the areas addressed by the recommendations hold no meaning for the Enterprise. Energinet.dk therefore focuses on the recommendations that are considered to be value creating in the context of the Enterprise.

### The role of the owner and cooperation with Energinet.dk's Management

The Climate and Energy Minister meets on a quarterly basis with the Supervisory Board chairman and any other Supervisory 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 and Energy and submits opinions to Energinet.dk's Management on the Enterprise's overall strategies and plans with a view to supporting its operations.

### Openness and transparency

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

Energinet.dk's 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 social role, communicates openly and transparently about its activities.

### Risk management

Energinet.dk always strives to have an overview of the strategic, operational, insurable and financial risk factors and to manage them with a view to achieving its objectives. Energinet.dk endeavours to reduce the potential strength of the risk factors and reduce the risk of them occurring.

The risk policy serves as the basis of Energinet.dk's insurance, credit and financing policies as well as of a revision of internal control and business processes with a view to hedging and reducing risks.

The Executive Board informs the Supervisory Board of the status of and development in the individual risk factors and any action plans on an annual basis.

As a part of its risk management, Energinet.dk focused in 2010 on optimising and enhancing the efficiency of the control environment in connection with accounting processes. The business processes have been mapped out, and the control environment has been designed to support the business risks.

### Risk policy

Energinet.dk has adopted a risk policy outlining the overall guidelines for financing, credit granting and credit insurance. These topics are dealt with separately and specifically in the various policies: Finance policy, Credit policy and Insurance policy. The policies are revised continuously to ensure the timely reassessment of Energinet.dk's risks. The risk policy is approved by the Supervisory Board once a year.

Energinet.dk plans its continuous financing in such a manner that the total realised interest expenses with a 95% probability do not exceed the budgeted interest expenses by 1 percentage point. This must be controlled within a framework in which at least 50% of the interest-bearing debt (including inflation-linked debt) carries fixed interest.

Energinet.dk is only allowed to have currency risks in euro. The Enterprise has therefore elected to adopt a cautious strategy to hedge its currency risk on its loan portfolio. As such, 70% of the



loan portfolio must as a minimum be in Danish kroner, while the share of euro must not exceed 30%.

In some instances, Energinet.dk undertakes a currency or raw material risk in connection with construction projects and certain operational agreements. These risks are hedged collectively either with the supplier or in the financial market. This means that the currency and raw material expenses will be known at the time of contract.

As regards financial instruments with a term of less than 12 months, interest rate swaps in Danish kroner and euro with a term of less than ten years, and currency swaps in Danish kroner/euro, Energinet.dk only enters into agreements relating to financial instruments with business partners which have been awarded a credit rating of at least A- by two acknowledged credit rating agencies. Where all other financial instruments are concerned, the requirement is that the business partner be given a credit rating of minimum AA- by the two acknowledged credit rating agencies. When concluding financial agreements, Energinet.dk also requires that a Credit Support Annex (CSA) be used. When a CSA is used, security is exchanged continuously depending on the counterparties' credit rating.

In adopting bank package 1, the Danish State issued a two-year guarantee for all the Danish banks' loans and unsecured claims. The expiry of bank package 1 in September 2010 gave rise to a reassessment of Energinet.dk's credit policy with a view to handling the daily liquidity. As a consequence of the changes, it is now only possible for Energinet.dk to have short-term, positive

deposits with banks with a rating lower than AA provided that the Executive Board has approved it in each individual case. Liquidity fluctuations may result in significant deposits with banks, and bank balances are therefore monitored closely with a view to minimising risks.

Out of consideration for Energinet.dk's credit exposure, all customers must be credit assessed. 'Market regulations for electricity' apply to balance-responsible parties, 'Rules for Gas Transport' apply to gas shippers, and 'Rules for Energinet.dk Gas Storage' apply to storage customers. The rules and the regulations will be supplemented in the beginning of 2011 with a section on credit insurance. Energinet.dk will take out a credit insurance policy covering possible losses on electricity and gas debtors. The individual regulations and rules include requirements for credit assessment and any security provided. Where other customers are concerned, Energinet.dk sets up individual requirements.

As a main rule, Energinet.dk does not effect payment until delivery has taken place. In connection with construction projects, an amount is normally held back until the delivery has been finally approved. In case of prepayment being required, for example in connection with the purchase of products manufactured to order, Energinet.dk will credit assess the individual suppliers.

#### **Auditing**

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



As auditor for Energinet.dk, the Auditor General reports to the Supervisory Board, which presents the financial statements. The Auditor General may report on the audit to the members of the Danish Public Accounts Committee at their request and 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 Climate and Energy Minister for comments.

#### **Internal auditors**

The internal audit is handled by a state-authorized 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.

#### **Energinet.dk's internal control environment**

Energinet.dk's control activities aim to ensure that the objectives, policies, manuals, procedures, etc., laid down by the Supervisory and the Executive Boards are complied with. Furthermore, the activities ensure that any faults, deviations and defects are prevented, discovered and rectified.

The internal control environment is safeguarded by an audit conducted internally in Energinet.dk. The main purpose of the function is to provide an independent, objective assessment of Energinet.dk's risk and control systems in connection with the preparation of the internal and external financial reporting, including to:

- strengthen the internal control structure of the organisation
- identify possibilities of improving processes and control procedures
- monitor that rules and regulations are complied with.

Tasks related to Energinet.dk's internal audit will be handled by a unit in Energinet.dk having the competencies necessary to handle these tasks. Independence is ensured by the internal and external auditors performing supervision, which includes auditing of the annual report, auditing of significant processes, and involvement in the control visits.

These tasks are performed primarily through the three activities mentioned below:

- Financial monthly reporting
- Internal control setup
- Control visits.

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

#### **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 with a view to avoiding discriminatory behaviour in connection with the transmission and TSO activities relating to the supply of electricity and gas.

# Financial review

Group key figures (amounts in DKK million)				
	2010	2009	2008	2007
Gross revenue	8,290	9,173	8,333	9,382
Costs of environmentally friendly power generation etc.	(3,576)	(4,358)	(3,367)	(5,224)
Other income	193	167	115	107
Other external expenses	(2,854)	(2,875)	(3,498)	(2,584)
Staff costs	(380)	(353)	(321)	(286)
Depreciation, amortisation and impairment losses	(931)	(893)	(762)	(593)
Net financials	(306)	(308)	(388)	(246)
Tax on profit for the year	(89)	(97)	0	55
<b>Profit for the year</b>	<b>347</b>	<b>456</b>	<b>112</b>	<b>611</b>

## Profit for the year

The profit for the year was DKK 347 million after tax compared to a profit of DKK 456 million after tax in 2009.

The earnings performance is primarily attributable to lower tariff income in the grid and system segments compared to 2009, which is in part counterbalanced by higher congestion rents, increased activity and thus increased income from gas transmission.

Because of the higher electricity prices in 2010 compared to 2009, expenses related to significant items such as reserve capacity and ancillary services rose proportionally a great deal in relation to 2010. On the other hand, expenses related to the purchase of storage and emergency supply services in the gas transmission segment and other operating expenses fell compared to 2009.

The profit for the year is DKK 58 million higher than announced in the interim report. The increase reflects several conflicting factors. Revenue was higher than expected chiefly as a result of higher income from international connections, including congestion rents and revenue from sales in the balance market. Realised operating expenses were lower than expected. Conversely, the expenses related to the purchase of electricity and ancillary services were higher than expected.

### Distribution of profit

It is proposed that the profit for the year 2010 of DKK 347 be distributed with DKK 193 million to excess revenue/deficit, and DKK 154 million for strengthening the contributed capital.

Of the excess revenue/deficit, congestion rents in the amount of DKK 559 million, including equity capitalisation, were transferred to reserves to be used for the future expansion of the electricity infrastructure in order to reduce congestion in the power grid.

### Gross revenue

Energinet.dk's gross revenue was DKK 8,290 million in 2010, which is a fall of DKK 883 million, or 10%, on 2009.

The fall is chiefly attributable to lower tariff income of DKK 820 million as the tariffs for the grid, system and PSO segments fell in 2010 compared to 2009. Conversely, income from international connections and the balance market rose collectively by DKK 250 million.

The increase in income from international connections relates to congestion rents and auction income, and since its commissioning, the Great Belt Power Link has had a positive impact on this development.

Revenue from the balance market rose in 2010 by DKK 139 million. The rise is primarily due to increased sales of regulating power to Sweden.

### Costs of environmentally friendly power generation etc.

The costs of environmentally friendly power generation etc. fell from DKK 4,358 million in 2009 to DKK 3,576 million in 2010.

The DKK 782 million drop is largely the result of lower subsidies for local CHP plants, wind turbines and other RE facilities in the

<b>Gross revenue</b> (amounts in DKK million)	2010	2009	2008	2007
Tariff income	6,355	7,175	4,860	7,291
Sale of electricity	762	781	1,580	1,315
Income from international connections	847	736	1,156	897
Balance market	417	278	519	273
Excess revenue/deficit (from PSOs)	(190)	28	(27)	(410)
Other income (incl. elimination)	99	175	245	16
<b>Total gross revenue</b>	<b>8,290</b>	<b>9,173</b>	<b>8,333</b>	<b>9,382</b>

<b>Other external expenses</b> (amounts in DKK million)	2010	2009	2008	2007
Purchase of electricity	647	479	793	434
Purchase of storage capacity and emergency supply	242	422	335	216
Purchase of reserve capacity and ancillary services	834	638	1,059	821
Availability payment for the 132/150 kV grids	493	548	571	634
Expenses relating to non-Danish grids	117	54	53	47
Power generation subsidies	126	222	246	0
Other external expenses	395	512	441	432
<b>Total other external expenses</b>	<b>2,854</b>	<b>2,875</b>	<b>3,498</b>	<b>2,584</b>

amount of DKK 697 million compared to 2009. Also, depreciation on minimum generation capacity fell by DKK 192 million.

The reduction in subsidies paid is mainly the result of higher electricity prices compared to 2009. In relation to the guaranteed minimum price of the electricity generated which is payable to the producers, the subsidies paid by Energinet.dk were therefore lower in 2010.

#### Other external expenses

Other external expenses totalled DKK 2,854 million in 2010, which is a drop of DKK 21 million, or 18%, on 2009.

The fall is largely due to lower expenses in connection with the purchase of storage and emergency supply services in the gas transmission segment, value adjustments of the natural gas reserves, and lower capacity payments in respect of the pipeline to the North Sea oil fields. In addition, other external expenses decreased especially in the grid and gas transmission segments, the contributory factors to the fall being economies and postponed maintenance work.

The fall in the power generation subsidies is due to the fact that in contrast to 2009 no subsidies were paid to waste-based power generation in 2010.

Conversely, the purchase of electricity, reserve capacity and ancillary services rose compared to 2009. The increase is mainly attributable to the higher electricity prices in 2010 (particularly in Eastern Denmark). Cold weather in the entire Nordic region at

the beginning and end of 2010 was the primary reason for the increases in the price of electricity and thus also reserve capacity and ancillary services. This development was amplified by low water levels in the Norwegian and Swedish water reservoirs.

The DKK 63 million increase in the expenses relating to non-Danish grids is primarily attributable to higher payments to DONG Energy for placing the international connection between Jutland and Norway, Skagerrak, at Energinet.dk's disposal.

#### Staff costs

Energinet.dk's staff costs rose by DKK 27 million 2010 primarily due to an increase in the number of employees and the general development in salaries of approximately 1%. A continued increased level of activity due to, in particular, construction work made it necessary to take in additional employees. The primary reasons for the increased level of activity are the ongoing expansion of the power grid but also the preparation for the future expansion of the power grid and the gas network.

#### Depreciation, amortisation and impairment losses for the year

Depreciation, amortisation and impairment losses for the year rose from DKK 893 million in 2009 to DKK 931 million in 2010. The 38 million dollar increase is primarily attributable to additional impairment in relation to Energinet.dk's transformer on the international connection to Sweden due to breakdown. Finally, the increase includes the full-year effect of depreciation on the landing facilities to the Horns Rev 2 offshore wind farm, which was commissioned in the spring of 2009, and depreciation of the Great Belt Power Link and the landing facilities to



the Rødsand 2 offshore wind farm, which was commissioned in 2010.

#### **Net financials**

Net financials including fair value adjustments totalled DKK 306 million in 2010 compared to DKK 308 million in 2009. Net financials are therefore on a par with last year's level. The development reflects a reduction in the interest-bearing debt of DKK 583 million, which is counterbalanced by an increase in the effective interest rate of 0.57%. The increase in the effective interest rate compared to 2009 is chiefly the result of realised exchange losses incurred in connection with the premature redemption of a mortgage loan.

#### **Tax on profit for the year**

Tax on profit for the year was DKK 89 million, which corresponds to an effective tax rate of 20%. The difference between the effective tax rate and the corporate tax rate of 25% is primarily the result of Energinet.dk receiving various types of non-taxable income.

Taxes paid in 2010 amounted to DKK 92 million and solely related to Energinet.dk's gas activities.

#### **Balance sheet**

Energinet.dk's balance sheet total rose from DKK 19,629 million in 2009 to DKK 20,074 million in 2010.

#### **Assets**

Non-current assets rose from DKK 17,038 million in 2009 to DKK 17,423 million in 2010.

The 385 million increase is predominantly the result of the investments in non-current assets for the year of DKK 1,526 million, including the year's additions relating to decommissioning of DKK 385 million, exceeding depreciation, amortisation and impairment losses for the year of DKK 1,144 million. The investments in non-current assets for the year as well as depreciation, amortisation and impairment losses primarily relate to electricity infrastructure facilities and rights. The increase in depreciation, amortisation and impairment losses in 2010 compared to 2009 is described in more detail in the chapter 'Depreciation, amortisation and impairment losses for the year'. The investments made in 2010 chiefly relate to the Great Belt Power Link, the replacement of a cable on the Kontek Link to Germany, and the grid connection of the Anholt offshore wind farm.

Current assets, on the other hand, rose by DKK 60 million on 2009. The rise reflects an increase in inventories of DKK 54 million, an increase in cash and cash equivalents of DKK 243 million, and a fall in receivables of DKK 237 million. The increase in cash and cash equivalents is chiefly the result of temporarily placing excess liquidity in fixed-term loans. The excess liquidity was recorded at the end of the year when Energinet.dk received higher than expected congestion rents and received the first grant payments under the EU's Economic Recovery Plan.



The increase in inventories is mainly attributable to the adjustment of the value of the stored natural gas, which due to higher natural gas prices at the balance sheet date than last year, is stated at a higher market value. Receivables from sales and services fell due to minor changes in the time of invoicing for, for instance, power generation subsidies compared to last year.

#### **Equity**

Equity rose by DKK 171 million from DKK 5,396 million in 2009 to DKK 5,567 million DKK in 2010.

In 2010, a return on the contributed capital of DKK 154 million was recognised in equity. The return is recognised as a part of Energinet.dk's contributed capital with a view to maintaining the real value of the contributed capital.

The remaining share of the profit for the year of DKK 193 million was transferred to excess revenue/deficit.

Moreover, additional provisions were made for deferred tax on congestion rents transferred to reserves in the amount of DKK 154 million. The adjustment is the result of changed accounting estimates and will not be included in the tariffs.

#### **Provisions**

Provisions rose by DKK 565 million from DKK 3,310 million in 2009 to DKK 3,875 million DKK in 2010. The rise is the result of, in particular, an increase in the decommissioning provisions of DKK 385 million in respect of Energinet.dk's infrastructure facilities. The increase in the calculated decommissioning provisions

is largely the result of a rise in the price index used and a fall in the discount rate used.

#### **Debt and financial issues**

Group interest-bearing debt fell by DKK 583 million from DKK 9,238 million in 2009 to DKK 8,655 million in 2010. The drop is primarily attributable to positive cash flows from operating activities. In addition, Energinet.dk received in December 2010 the first grant payments under the EU's Economic Recovery Plan.

In 2010, the general short-term interest rates remained at a low level. Energinet.dk has profited from this in respect of their floating-interest loans, and its CP programme was highly competitive with comparable credit facilities throughout 2010. At the beginning of the year, 25.6% of the interest-bearing debt was floating-interest debt, dipping to 20% during the year. At the end of the year, the share had increased to 27%, which reduced the duration of interest-bearing debt from 4.28 years in 2009 to 3.71 in 2010.

The average effective borrowing rate for the Group interest-bearing debt was 3.69% in 2010. This figure includes overall negative price adjustments in the amount of DKK 20 million. In comparison, the average effective borrowing rate for interest-bearing debt was 3.12% in 2009. This figure included positive translation adjustments of DKK 75 million. When disregarding translation adjustments, the average effective borrowing rate of the Group interest-bearing debt in 2010 was 3.27%. In comparison, it would have been 3.76% in 2009.

The credit rating agency Standard & Poor's maintained Energinet.dk's rating at AA throughout the year.

Deferred income under liabilities other than provisions constituted DKK 402 million in 2010 as opposed to DKK 0 million in 2009. This item includes grants received from the EU for the erection of infrastructure facilities. In December 2010, Energinet.dk received DKK 391 million for connecting the Kriegers Flak offshore wind farm to the grid and expanding the natural gas network between the towns of Ellund and Egtved. The grants will be charged to the income statement as the facilities concerned are depreciated.

### Cash flow statement

Changes in cash and cash equivalents for the year constituted an increase of DKK 243 million, with cash flows from operating activities constituting DKK 1,962 million in 2010 as opposed to DKK 2,140 million in 2009.

Cash flows from investing activities relating to non-current assets constituted a negative DKK 1,103 million. The investments for the year primarily included the construction of the Great Belt Power Link, the replacement of a cable on the Kontek Link, and the grid connection of the Anholt offshore wind farm.

Cash flows from financing activities constituted a negative DKK 616 million. Loans were predominantly reduced by redeeming long-term mortgage loans. A new loan of DKK 500 million was taken out with Nationalbanken.

### Outlook 2011

The outlook for 2011 builds on a financial assessment of each individual business segment. It naturally follows, however, that information about the future is highly uncertain.

From 1 January 2011, Energinet.dk's tariffs will be the same in all of Denmark. When the tariffs are merged, there will no longer be differentiated tariffs in Eastern and Western Denmark.

The Energinet.dk Group expects an after-tax profit of approximately DKK 400 million for 2011. The profit is to cover the expected strengthening of the contributed capital of approximately DKK 75 million (2%) and total excess revenue of approximately DKK 475 million, of which congestion rents transferred to reserves constitute DKK 285 million. In addition, a deferred tax adjustment of approximately DKK 150 million has been set off as a result of the expected congestion rents.

Congestion rents from the international connections are budgeted at DKK 600 million.

A minor loss of DKK 1 million is expected in the gas storage segment. This is due to the anticipated fall in the demand for the storage services offered by Energinet.dk. At present, there is also some uncertainty as to whether the capacity of one of the caverns can be offered for sale due to the planned re-leaching.

An average electricity market price in Western Denmark of DKK 0.35/kWh and DKK 0.36/kWh in Eastern Denmark is forecast. The assumption about pricing is based on forward prices.

Key figures for grid segment (amounts in DKK million)				
	2010	2009	2008	2007
<b>Income statement</b>				
Revenue	2,198	2,362	2,537	1,611
Profit before depreciation, amortisation and impairment losses	967	1,157	1,242	443
Operating profit (EBIT)	408	612	827	155
Profit from net financials	(121)	(108)	(118)	(43)
Profit for the year	248	426	561	111
<b>Balance sheet</b>				
Non-current assets	10,220	9,628	8,917	6,083
Current assets	623	594	723	1,127
Balance sheet total	10,843	10,222	9,640	7,210
Interest-bearing debt	2,890	3,130	3,468	1,455
<b>Equity</b>	<b>5,108</b>	<b>5,015</b>	<b>4,575</b>	<b>4,031</b>

## Events after the balance sheet date

No significant events have occurred after the balance sheet date that affect the fair presentation at 31 December 2010 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

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

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

In pursuance of Section 13 of the Danish Act on Energinet.dk, DKK 154 million of the 2010 profit of DKK 347 million will be used for strengthening the contributed capital.

## Grid segment

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

Revenue fell from DKK 2,362 million in 2009 to DKK 2,198 million in 2010. The DKK 164 million fall is primarily attributable to two conflicting factors. On the one hand, grid tariffs in Western and Eastern Denmark fell from DKK 0.054/kWh and 0.039/kWh in 2009, respectively, to DKK 0.052/kWh and DKK 0.024/kWh in 2010, respectively. The tariff reduction led to a decrease in revenue of DKK 287 million. On the other hand, income from international connections rose by DKK 111 compared to 2009. It was a combination of cold weather in the Nordic region and low water levels in the Nordic reservoirs together with restrictions in the transmission lines to Sweden and Germany that caused electricity prices in Eastern Denmark to peak in December. As Western Denmark did not experience increases in electricity prices of the same magnitude, the Great Belt Power Link generated considerable congestion rents at the end of the year.

In 2009, Energinet.dk received DKK 116 million in transit payments. The ITC agreement, which determines the distribution of transit payments between the participating countries, was changed with effect from 2010. Because of the new distribution agreement and generally lower transit payments in Denmark compared to 2009, Energinet.dk overall incurred expenses of DKK 3 million net in 2010.

Key figures for system segment (amounts in DKK million)				
	2010	2009	2008	2007
<b>Income statement</b>				
Revenue	1,476	1,481	1,514	1,553
Profit before depreciation, amortisation and impairment losses	(10)	179	(385)	361
Operating profit/(loss)	(56)	146	(409)	341
Profit from net financials	(16)	(22)	(33)	(25)
Profit for the year	(53)	92	(333)	234
<b>Balance sheet</b>				
Non-current assets	340	329	374	586
Current assets	540	402	309	760
Balance sheet total	880	731	683	1,346
Interest-bearing debt	803	614	427	755
<b>Equity</b>	<b>(169)</b>	<b>(117)</b>	<b>(209)</b>	<b>123</b>

Key figures for PSO segment (amounts in DKK million)				
	2010	2009	2008	2007
<b>Income statement</b>				
Gross revenue	3,576	4,358	3,367	5,224
<b>Balance sheet</b>				
Non-current assets	493	673	1,089	1,482
Current assets	859	1,137	1,041	1,033
Balance sheet total	1,352	1,810	2,130	2,515
Interest-bearing debt	941	941	1,304	1,280
<b>Equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Expenses related to the purchase of electricity to compensate for transmission losses rose from DKK 297 million in 2009 to DKK 370 million in 2010. The increase is primarily attributable to East Denmark where the higher electricity price led to increased expenses for transmission losses in the amount of DKK 65 million.

Expenses for availability payments fell by DKK 55 million from DKK 548 million in 2009 to DKK 493 million in 2010. The fall was caused mainly by after-adjustments relating to previous years in Eastern Denmark. For example, a DKK 68 million adjustment was recognised in respect of the regional grid in north Zealand

#### System segment

The system segment includes expenses incurred by Energinet.dk in handling its TSO responsibilities, which includes ensuring sufficient power in the grid. The system tariffs are paid by the users of the power system after deduction of revenue from the balance market.

Revenue in 2010 constituted DKK 1,476 million, which is on a par with 2009. Increasing revenue from the balance market of DKK 125 million and falling power generation subsidies of DKK 96 million reflect the stable level of revenue in relation to 2009. In 2010, the tariff fell from DKK 0.029/kWh in 2009 to DKK 0.014/kWh in 2010 for Western Denmark and rose from DKK 0.03/kWh in 2009 to 0.047/kWh in 2010 for Eastern Denmark.

The increasing revenues from the balance market are primarily attributable to the sale of upward regulation by Danish power

stations to Sweden and generally higher prices for regulating power in 2010. This factor thus also caused the expenses related to the purchase of regulating power to rise by DKK 105 million in 2010.

The fall in the power generation subsidies is due to the fact that in contrast to 2009 no subsidies were paid to waste-based power generation in 2010.

In addition, Energinet.dk's expenses related to the purchase of ancillary services rose. Total expenses incurred in connection with these activities amounted to DKK 834 million in 2010 compared to DKK 638 million in 2009. The increase on 2009 is primarily the result of higher prices.

#### PSO segment

The PSO segment includes expenses relating to public service obligations such as support to environmentally friendly power generation and research in new environmentally friendly power generation technologies.

Revenue fell from DKK 4,358 million in 2009 to DKK 3,576 million in 2010. The DKK 782 million drop is largely due to lower tariffs in 2010 compared to 2009. The tariffs have been reduced in step with the falling subsidies for local CHP plants. The falling subsidies are a result of the higher electricity prices in 2010. Because of the electricity prices, the subsidies paid by Energinet.dk were lower in 2010 than in 2009. As such, subsidies paid were DKK 697 million lower in 2010 than in 2009.



Key figures for gas transmission segment (amounts in DKK million)				
	2010	2009	2008	2007
<b>Income statement</b>				
Revenue	881	805	747	826
Profit before depreciation, amortisation and impairment losses	510	211	227	425
Operating profit (EBIT)	295	4	14	214
Profit from net financials	(97)	(91)	(142)	(116)
Profit/(loss) for the year	143	(61)	(97)	182
<b>Balance sheet</b>				
Non-current assets	4,073	4,035	4,344	4,407
Current assets	591	435	383	769
Balance sheet total	4,664	4,470	4,727	5,176
Interest-bearing debt	2,297	2,762	2,829	2,823
<b>Equity</b>	<b>614</b>	<b>471</b>	<b>525</b>	<b>628</b>

Key figures for gas storage segment (amounts in DKK million)				
	2010	2009	2008	2007
<b>Income statement</b>				
Revenue	248	247	236	168
Profit before depreciation, amortisation and impairment losses	206	207	178	130
Operating profit (EBIT)	95	99	68	56
Profit from net financials	(72)	(86)	(95)	(62)
Profit/(loss) for the year	9	(1)	(19)	48
<b>Balance sheet</b>				
Non-current assets	2,297	2,373	2,440	2,561
Current assets	38	23	16	65
Balance sheet total	2,335	2,396	2,456	2,626
Interest-bearing debt	1,724	1,791	1,826	1,912
<b>Equity</b>	<b>14</b>	<b>27</b>	<b>28</b>	<b>48</b>

Overall, the costs of environmentally friendly power generation etc. fell from DKK 4,358 million in 2009 to DKK 3,576 million in 2010. The fall is largely attributable to lower subsidies for environmentally friendly power generation etc. and reduced depreciation on minimum generation capacity.

#### Gas transmission segment

The gas transmission segment includes expenses for operation and maintenance tasks in the main natural gas network in Denmark.

Revenue rose from DKK 805 million in 2009 to DKK 881 million in 2010. This increase primarily reflects an increased level of activity due to the relatively cold weather at the beginning and end of the year.

Overall, storage and emergency supply services fell from DKK 422 million in 2009 to DKK 242 million in 2010. The DKK 180 million fall is attributable to three factors. First, Energinet.dk has renegotiated the emergency supply agreement for the Syd Arne pipeline, which reduced expenses by DKK 39 million compared to 2009. Second, expenses for storage and system balance fell by DKK 89 million. The fall is chiefly the result of positive value adjustments of the stock of balancing gas as the neutral price was higher in December 2010 than in December 2009. Third, a new auction was held for interruptible customers, which caused expenses to fall by DKK 52 million in 2010.

#### Gas storage segment

The gas storage segment includes revenue from the sale of storage capacity and expenses related to the operation and maintenance of the storage facility.

Revenue in 2010 was on a par with the level in 2009. The improvement in the profit for the year of DKK 10 million on 2009 is the result of lower finance costs. The finance costs fell in connection with the expiry and establishment of a new, cheaper interest-rate swap linked to a floating-interest loan.

## Income statement

Parent				Group	
2009	2010	Note	Amounts in DKK million	2010	2009
<b>8,998</b>	<b>8,116</b>	1	<b>Gross revenue</b>	<b>8,290</b>	<b>9,173</b>
(4,358)	(3,576)	2	Costs of environmentally friendly power generation etc.	(3,576)	(4,358)
<b>4,640</b>	<b>4,540</b>		<b>Revenue</b>	<b>4,714</b>	<b>4,815</b>
157	181		Own work capitalised	184	158
5	13		Other operating income	9	9
<b>4,802</b>	<b>4,734</b>		<b>Total revenue</b>	<b>4,907</b>	<b>4,982</b>
(3,020)	(2,970)	3	Other external expenses	(2,854)	(2,875)
(314)	(370)	4	Staff costs	(380)	(353)
<b>(3,334)</b>	<b>(3,340)</b>		<b>Total costs/expenses</b>	<b>(3,234)</b>	<b>(3,228)</b>
<b>1,468</b>	<b>1,394</b>		<b>Profit before depreciation, amortisation and impairment losses</b>	<b>1,673</b>	<b>1,754</b>
(664)	(701)	5	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	(931)	(893)
<b>804</b>	<b>693</b>		<b>Operating profit/loss</b>	<b>742</b>	<b>861</b>
(21)	(9)		Profit/(loss) in subsidiaries after tax	0	0
(9)	2		Profit/(loss) in associates after tax	2	(9)
111	33	6	Financial income	34	109
(339)	(289)	7	Financial expenses	(342)	(408)
<b>(258)</b>	<b>(263)</b>		<b>Total net financials</b>	<b>(306)</b>	<b>(308)</b>
<b>546</b>	<b>430</b>		<b>Pre-tax profit</b>	<b>436</b>	<b>553</b>
(90)	(83)	8	Tax on profit for the year	(89)	(97)
<b>456</b>	<b>347</b>		<b>Profit for the year</b>	<b>347</b>	<b>456</b>
			<b>The following distribution of the profit for the year is proposed:</b>		
(111)	154		Strengthening of contributed capital	154	(111)
(21)	(7)		Net revaluation according to the equity method	0	0
588	200		Excess revenue/deficit	193	567
<b>456</b>	<b>347</b>		<b>Total</b>	<b>347</b>	<b>456</b>

## Balance sheet - Assets

Parent				Group	
2009	2010	Note	Amounts in DKK million.	2010	2009
			<b>Intangible assets</b>		
0	0		Goodwill	418	443
442	266		Rights	272	449
255	238		Software	245	268
37	30		Assets in the course of construction and prepayments on property, plant and equipment	30	37
<b>734</b>	<b>534</b>	9	<b>Total intangible assets</b>	<b>965</b>	<b>1.197</b>
			<b>Property, plant and equipment</b>		
374	368		Land and buildings	385	391
9,339	10,711		Production plant	14,662	13,382
189	259		Cushion gas	532	462
92	79		Other plant, tools and operating equipment	79	92
1,432	733		Assets in the course of construction and prepayments on property, plant and equipment	764	1,482
<b>11,426</b>	<b>12,150</b>	10	<b>Total property, plant and equipment</b>	<b>16,422</b>	<b>15,809</b>
			<b>Investments</b>		
2,604	2,574		Equity investments in subsidiaries	0	0
31	35		Equity investments in associates	35	31
1	1		Other equity investments	1	1
<b>2,636</b>	<b>2,610</b>	11	<b>Total investments</b>	<b>36</b>	<b>32</b>
<b>14,796</b>	<b>15,294</b>		<b>Total non-current assets</b>	<b>17,423</b>	<b>17,038</b>
<b>66</b>	<b>119</b>		<b>Inventories</b>	<b>120</b>	<b>66</b>
			<b>Receivables</b>		
113	36		Trade receivables	40	116
80	85	12	Receivables from associates	85	80
1,880	1,713	13	Other receivables	1,713	1,880
31	33	14	Prepayments	33	32
<b>2,104</b>	<b>1,867</b>		<b>Total receivables</b>	<b>1,871</b>	<b>2,108</b>
<b>415</b>	<b>657</b>		<b>Cash</b>	<b>660</b>	<b>417</b>
<b>2,585</b>	<b>2,643</b>		<b>Total current assets</b>	<b>2,651</b>	<b>2,591</b>
<b>17,381</b>	<b>17,937</b>		<b>Total assets</b>	<b>20,074</b>	<b>19,629</b>

## Balance sheet - Equity and liabilities

Parent				Group	
2009	2010	Note	Amounts in DKK million	2010	2009
			<b>Equity</b>		
3,157	3,157		Contributed capital	3,157	3,157
504	658		Strengthening of contributed capital	658	504
0	0		Net revaluation according to the equity method	0	0
1,735	1,752		Excess revenue/deficit	1,752	1,735
<b>5,396</b>	<b>5,567</b>		<b>Total equity</b>	<b>5,567</b>	<b>5,396</b>
			<b>Provisions</b>		
1,591	1,746	15	Deferred tax liabilities	2,717	2,610
598	977	16	Provisions	1,158	700
<b>2,189</b>	<b>2,723</b>		<b>Total provisions</b>	<b>3,875</b>	<b>3,310</b>
			<b>Long-term liabilities other than provisions</b>		
496	110	17	Mortgage debt	110	496
5,918	4,838	17	Payables to credit institutions	6,000	7,155
0	402	18	Deferred income	402	0
<b>6,414</b>	<b>5,350</b>		<b>Total long-term liabilities other than provisions</b>	<b>6,512</b>	<b>7,651</b>
			<b>Short-term liabilities other than provisions</b>		
156	1,135	17/18	Current maturities of long-term liabilities other than provisions	1,210	231
1,467	1,337		Payables to credit institutions	1,337	1,467
278	209		Accounts payable	210	282
221	303		Amounts owed to subsidiaries	0	0
6	40	19	Corporation tax	40	6
1,254	1,273	20	Other payables	1,323	1,286
<b>3,382</b>	<b>4,297</b>		<b>Total short-term liabilities other than provisions</b>	<b>4,120</b>	<b>3,272</b>
<b>9,796</b>	<b>9,647</b>		<b>Total non-current assets</b>	<b>10,632</b>	<b>10,923</b>
<b>17,381</b>	<b>17,937</b>		<b>Total liabilities</b>	<b>20,074</b>	<b>19,629</b>

- 21 Provision of security and charges
- 22 Group derivative financial instruments
- 23 Contingent liabilities and other financial liabilities
- 24 Related parties

## Statement of changes in equity

Amounts in DKK million

Parent	Contributed capital	Strengthening of contributed capital	Excess revenue/deficit	Net revaluation under the equity method	Total
<b>Equity at 1 January 2009</b>	<b>3,157</b>	<b>615</b>	<b>1,119</b>	<b>28</b>	<b>4,919</b>
Profit for the year		(111)	588	(21)	456
Transfer			18	(18)	0
Value adjustment of hedging instruments, beginning of year			9	14	23
Value adjustment of hedging instruments, end of year			1	(7)	(6)
Foreign currency translation adjustment of equity investments, beginning of year			0	4	4
Foreign currency translation adjustment of equity investments, end of year			0	0	0
<b>Equity at 31 December 2009</b>	<b>3,157</b>	<b>504</b>	<b>1,735</b>	<b>0</b>	<b>5,396</b>
Adjustment, beginning of year			(154)		(154)
Profit/(loss) for the year		154	200	(7)	347
Transfer			(27)	27	0
Value adjustment of hedging instruments, beginning of year			(1)	7	6
Value adjustment of hedging instruments, end of year			(1)	(28)	(29)
Foreign currency translation adjustment of equity investments, beginning of year			0	0	0
Foreign currency translation adjustment of equity investments, end of year			0	1	1
<b>Equity at 31 December 2010</b>	<b>3,157</b>	<b>658</b>	<b>1,752</b>	<b>0</b>	<b>5,567</b>

(ctd.)

## Statement of changes in equity (ctd.)

Amounts in DKK million

Group	Contributed capital	Strengthening of contributed capital	Excess revenue/deficit	Total
<b>Equity at 1 January 2009</b>	<b>3,157</b>	<b>615</b>	<b>1,119</b>	<b>4,919</b>
Profit for the year		(111)	567	456
Value adjustment of hedging instruments, beginning of year			23	23
Value adjustment of hedging instruments, end of year			(6)	(6)
Foreign currency translation adjustment of equity investments, beginning of year			4	4
Foreign currency translation adjustment of equity investments, end of year			0	0
<b>Equity at 31 December 2009</b>	<b>3,157</b>	<b>504</b>	<b>1,735</b>	<b>5,396</b>
Adjustment, beginning of year			(154)	(154)
Profit for the year		154	193	347
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, beginning of year			0	0
Foreign currency translation adjustment of equity investments, end of year			1	1
<b>Equity at 31 December 2010</b>	<b>3,157</b>	<b>658</b>	<b>1,752</b>	<b>5,567</b>

(ctd.)

## Statement of changes in equity (ctd.)

Amounts in DKK million

	Balance at 1 January 2010	Adjustment, beginning of year	Movements of the period	Balance at 31 December 2010
Balance for excess revenue/deficit can be specified as follows:				
Excess revenue/deficit to be included in tariffs (grid and system)	192	(4)	(451)	(263)
Excess revenue/deficit to be included in tariffs (gas transmission)	154	0	107	261
Congestion rents transferred to reserves, incl. capitalisation	1,368	0	547	1,915
Depreciation of decommissioning costs in respect of facilities acquired before 1 January 2005	(66)	0	(13)	(79)
Unrealised translation adjustments, net financials	0	0	6	6
Results from gas storage activities	28	0	9	37
Results from other commercial activities	0	4	2	6
Adjustment of deferred tax	80	(154)	(2)	(76)
Results of Regionale Net.dk A/S	(15)	0	(12)	(27)
Fair value adjustment of financial instruments	(6)	0	(23)	(29)
Foreign exchange translation adjustment of equity investments	0	0	1	1
<b>Total excess revenue/deficit</b>	<b>1,735</b>	<b>(154)</b>	<b>171</b>	<b>1,752</b>

Amounts in DKK million

	Congestion rents transfer- red to reserves	Capitalisation	The Great Belt Power Link	Total
Balance for congestion rents transferred to reserves can be specified as follows:				
Balance at 1 January	1,272	96	0	1,368
Annual transfer to reserves incl. capitalisation	517	42	0	559
Transfer on commissioning of plant	(1,195)	(88)	1,283	0
Reversal to tariff base for the year	0	0	(12)	(12)
<b>Balance at 31 December</b>	<b>594</b>	<b>50</b>	<b>1,271</b>	<b>1,915</b>

The contents of the item 'Excess revenue/deficit' to be included in tariffs are regulated by Sections 2-6 of the Danish Executive Order on the Financial Regulation of Energinet.dk. The item shows the difference between revenues and expenses in connection with the operation of the electricity and gas segments in previous years, respectively, and reflects either excess revenue to be paid back to the customers or a deficit to be charged to the customers.

## Cash flow statement

Amounts in DKK million	Group	
	2010	2009
<b>Operating profit for the period</b>	<b>742</b>	<b>861</b>
Reversal of items not affecting cash flows	(56)	(77)
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	1,142	1,297
Payments in respect of provisions	(9)	(3)
Change in inventories	(54)	61
Change in receivables	36	161
Change in liabilities	377	218
Change in accumulated deficit (PSO segment)	190	-28
<b>Cash flows from operating activities before net financials</b>	<b>2,368</b>	<b>2,490</b>
Interest receivable	31	102
Interest payable	(345)	(388)
<b>Cash flows from ordinary activities</b>	<b>2,054</b>	<b>2,204</b>
Paid corporation tax	(92)	(64)
<b>Cash flows from operating activities</b>	<b>1,962</b>	<b>2,140</b>
Investment in associates	0	(2)
Investment in intangible assets	(64)	(124)
Investment in property, plant and equipment	(1,040)	(1,056)
Sale of property, plant and equipment	1	2
<b>Cash flows from investing activities</b>	<b>(1,103)</b>	<b>(1,180)</b>
Proceeds from long-term borrowings	500	525
Repayment of long-term loans	(886)	(693)
Value adjustment of financial instruments	(25)	(59)
Short-term borrowings/repayment, net	(205)	(352)
<b>Cash flows from financing activities</b>	<b>(616)</b>	<b>(579)</b>
Change in cash and cash equivalents	243	381
Cash and cash equivalents at 1 January	417	36
<b>Cash and cash equivalents at 31 December</b>	<b>660</b>	<b>417</b>

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 391 million at 31 December 2010. Energinet.dk has received these funds but does not finally acquire any rights in respect of these until the projects for which the funds were granted have been implemented.



## Notes

Parent			Group	
2009	2010	Note	2010	2009
			Amounts in DKK million	
		<b>1</b>	<b>Gross revenue</b>	
4,358	3,576		3,576	4,358
1,479	1,476		1,476	1,479
2,358	2,193		2,193	2,358
803	871		871	803
0	0		174	175
<b>8,998</b>	<b>8,116</b>		<b>8,290</b>	<b>9,173</b>
		<b>2</b>	<b>Costs of environmentally friendly power generation etc.</b>	
(2,194)	(2,049)		(2,049)	(2,194)
(1,410)	(858)		(858)	(1,410)
(43)	(120)		(120)	(43)
(65)	(34)		(34)	(65)
(130)	(151)		(151)	(130)
(25)	(25)		(25)	(25)
(25)	(25)		(25)	(25)
(364)	(172)		(172)	(364)
0	(10)		(10)	0
(67)	(96)		(96)	(67)
(35)	(36)		(36)	(35)
<b>(4,358)</b>	<b>(3,576)</b>		<b>(3,576)</b>	<b>(4,358)</b>
		<b>3</b>	<b>Other external expenses</b>	
			An additional specification of other external expenses is found in the segmental financial statements at the back of the Annual Report.	
			<b>Auditing fees are included in 'Other external expenses' with the following amounts:</b>	
			<b>PricewaterhouseCoopers</b>	
(2)	(1)		(1)	(2)
(1)	0		0	(1)
(2)	(1)		(1)	(2)
(5)	(1)		(1)	(5)
<b>(10)</b>	<b>(3)</b>		<b>(3)</b>	<b>(10)</b>

Rigsrevisionen does not charge a fee for its auditing activities.



# Notes

Parent		Note	Amounts in DKK million	Group	
2009	2010			2010	2009
		<b>6</b>	<b>Financial income</b>		
2	1		Interest on balances with subsidiaries	0	0
22	8		Interest on bank deposits etc.	10	21
87	24		Foreign exchange gains and fair value adjustments etc.	24	88
<b>111</b>	<b>33</b>		<b>Total</b>	<b>34</b>	<b>109</b>
		<b>7</b>	<b>Financial income</b>		
(6)	(7)		Interest on balances with subsidiaries	0	0
(281)	(207)		Interest on loans, bank debt etc.	(261)	(350)
(30)	(32)		Capitalisation of decommissioning provisions	(38)	(36)
(22)	(43)		Foreign exchange gains and fair value adjustments etc.	(43)	(22)
<b>(339)</b>	<b>(289)</b>		<b>Total</b>	<b>(342)</b>	<b>(408)</b>
			Group financial expenses totalled DKK 342 million. Furthermore, DKK 36 million was recognised under 'Costs of environmentally friendly power generation etc.'		
		<b>8</b>	<b>Tax on profit for the year</b>		
(118)	(84)		Calculated tax on profit for the year	(90)	(121)
28	1		Adjustment in respect of previous years	1	24
<b>(90)</b>	<b>(83)</b>		<b>Total</b>	<b>(89)</b>	<b>(97)</b>
			<b>Tax rate adjustment</b>		
25%	25%		Corporation tax rate	25%	25%
(2%)	(6%)		Tax effect of non-taxable income and non-deductible expenses	(5%)	(8%)
(5%)	0%		Adjustment of tax in previous years	0%	1%
<b>18%</b>	<b>19%</b>		<b>Effective tax rate for the year</b>	<b>20%</b>	<b>18%</b>
<b>64</b>	<b>92</b>		<b>Paid tax for the year</b>	<b>92</b>	<b>64</b>

## Notes

### Note 9 Intangible assets

Amounts in DKK million

Parent				Assets in the course of construction and prepayments on property, plant and equipment	Total intangible assets
	Rights	Software			
<b>Acquisition cost at 1 January</b>	<b>4,212</b>	<b>524</b>		<b>37</b>	<b>4,773</b>
Reclassification, 1 January	0	0		8	8
Transfer	0	59		(59)	0
Additions during the year	17	2		44	63
Disposals during the year	0	0		0	0
<b>Acquisition cost at 31 December</b>	<b>4,229</b>	<b>585</b>		<b>30</b>	<b>4,844</b>
<b>Amortisation and impairment losses at 1 January</b>	<b>(3,770)</b>	<b>(269)</b>		<b>0</b>	<b>(4,039)</b>
Amortisation and impairment losses for the year	(193)	(78)		0	(271)
Reversed amortisation in respect of disposals during the year	0	0		0	0
<b>Amortisation and impairment losses at 31 December</b>	<b>(3,963)</b>	<b>(347)</b>		<b>0</b>	<b>(4,310)</b>
<b>Carrying amount at 31 December</b>	<b>266</b>	<b>238</b>		<b>30</b>	<b>534</b>
Carrying amount at 31 December 2009	442	255		37	734
<b>Group</b>	<b>Goodwill</b>	<b>Rights</b>	<b>Software</b>	<b>Assets in the course of construction and prepayments on property, plant and equipment</b>	<b>Total intangible assets</b>
<b>Acquisition cost at 1 January</b>	<b>493</b>	<b>4,230</b>	<b>545</b>	<b>37</b>	<b>5,305</b>
Reclassification, 1 January	0	0	0	8	8
Transfer	0	0	59	(59)	0
Additions during the year	0	19	1	44	64
Disposals during the year	0	0	0	0	0
<b>Acquisition cost at 31 December</b>	<b>493</b>	<b>4,249</b>	<b>605</b>	<b>30</b>	<b>5,377</b>
<b>Amortisation and impairment losses at 1 January</b>	<b>(50)</b>	<b>(3,781)</b>	<b>(277)</b>	<b>0</b>	<b>(4,108)</b>
Amortisation and impairment losses for the year	(25)	(196)	(83)	0	(304)
Reversed amortisation in respect of disposals during the year	0	0	0	0	0
<b>Amortisation and impairment losses at 31 December</b>	<b>(75)</b>	<b>(3,977)</b>	<b>(360)</b>	<b>0</b>	<b>(4,412)</b>
<b>Carrying amount at 31 December</b>	<b>418</b>	<b>272</b>	<b>245</b>	<b>30</b>	<b>965</b>
Carrying amount at 31 December 2009	443	449	268	37	1,197

# Notes

## Note 10 Property, plant and equipment

Amounts in DKK million

	Land and buildings	Production plant	Cushion gas	Other plant, tools and operating equipment	Assets in the course of construction and prepayments on property, plant and equipment	Total property, plant and equipment
<b>Parent</b>						
<b>Acquisition cost at 1 January</b>	<b>420</b>	<b>16,870</b>	<b>189</b>	<b>166</b>	<b>1,432</b>	<b>19,077</b>
Reclassification, 1 January	0	0	0	0	(8)	(8)
Transfer	(1)	1,660	0	15	(1,674)	0
Additions during the year	0	318	70	4	983	1,375
Disposals during the year	0	0	0	(3)	0	(3)
<b>Acquisition cost at 31 December</b>	<b>419</b>	<b>18,848</b>	<b>259</b>	<b>182</b>	<b>733</b>	<b>20,441</b>
<b>Depreciation and impairment losses at 1 January</b>	<b>(46)</b>	<b>(7,531)</b>	<b>0</b>	<b>(74)</b>	<b>0</b>	<b>(7,651)</b>
Depreciation and impairment losses for the year	(5)	(606)	0	(31)	0	(642)
Reversed depreciation in respect of disposals during the year	0	0	0	2	0	2
<b>Depreciation and impairment losses at 31 December</b>	<b>(51)</b>	<b>(8,137)</b>	<b>0</b>	<b>(103)</b>	<b>0</b>	<b>(8,291)</b>
<b>Carrying amount at 31 December</b>	<b>368</b>	<b>10,711</b>	<b>259</b>	<b>79</b>	<b>733</b>	<b>12,150</b>
Carrying amount at 31 December 2009	374	9,339	189	92	1,432	11,426
<b>Group</b>						
<b>Acquisition cost at 1 January</b>	<b>441</b>	<b>21,843</b>	<b>462</b>	<b>211</b>	<b>1,482</b>	<b>24,439</b>
Reclassification, 1 January	0	0	0	0	(8)	(8)
Transfer	-1	1,690	0	15	(1,704)	0
Additions during the year	0	394	70	4	994	1,462
Disposals during the year	0	0	0	(3)	0	(3)
<b>Acquisition cost at 31 December</b>	<b>440</b>	<b>23,927</b>	<b>532</b>	<b>227</b>	<b>764</b>	<b>25,890</b>
<b>Depreciation and impairment losses at 1 January</b>	<b>(50)</b>	<b>(8,461)</b>	<b>0</b>	<b>(119)</b>	<b>0</b>	<b>(8,630)</b>
Depreciation and impairment losses for the year	(5)	(804)	0	(31)	0	(840)
Reversed depreciation in respect of disposals during the year	0	0	0	2	0	2
<b>Depreciation and impairment losses at 31 December</b>	<b>(55)</b>	<b>(9,265)</b>	<b>0</b>	<b>(148)</b>	<b>0</b>	<b>(9,468)</b>
<b>Carrying amount at 31 December</b>	<b>385</b>	<b>14,662</b>	<b>532</b>	<b>79</b>	<b>764</b>	<b>16,422</b>
Carrying amount at 31 December 2009	391	13,382	462	92	1,482	15,809

Finance costs of a total of DKK 40 million have been capitalised under 'Non-current assets'.

# Notes

## Note 11 Investments

Amounts in DKK million

<b>Parent</b>	Equity investment in subsidiaries	Equity investments in associates	Other equity investments	Total investments
<b>Acquisition cost at 1 January</b>	<b>2,578</b>	<b>66</b>	<b>1</b>	<b>2,645</b>
Additions during the year	0	0	0	0
Disposals during the year	0	0	0	0
<b>Acquisition cost at 31 December</b>	<b>2,578</b>	<b>66</b>	<b>1</b>	<b>2,645</b>
<b>Value adjustments at 1 January</b>	<b>26</b>	<b>(35)</b>	<b>0</b>	<b>(9)</b>
Profit/(loss) for the year	(9)	2	0	(7)
Equity adjustments	(21)	0	0	(21)
Foreign currency translation adjustments in respect of foreign entities	0	2	0	2
<b>Value adjustments at 31 December</b>	<b>(4)</b>	<b>(31)</b>	<b>0</b>	<b>(35)</b>
<b>Carrying amount at 31 December</b>	<b>2,574</b>	<b>35</b>	<b>1</b>	<b>2,610</b>
Carrying amount at 31 December 2009	2,604	31	1	2,636

<b>Group</b>	Equity investments in associates	Other equity investments	Total investments
<b>Acquisition cost at 1 January</b>	<b>66</b>	<b>1</b>	<b>67</b>
Additions during the year	0	0	0
<b>Acquisition cost at 31 December</b>	<b>66</b>	<b>1</b>	<b>67</b>
<b>Value adjustments at 1 January</b>	<b>(35)</b>	<b>0</b>	<b>(35)</b>
Profit for the year	2	0	2
Foreign currency translation adjustments in respect of foreign entities	2	0	2
<b>Value adjustments at 31 December</b>	<b>(31)</b>	<b>0</b>	<b>(31)</b>
<b>Carrying amount at 31 December</b>	<b>35</b>	<b>1</b>	<b>36</b>
Carrying amount at 31 December 2009	31	1	32
(ctd.)			

## Notes

### Note 11 Investments (ctd.)

Amounts in DKK million

#### Equity investments in subsidiaries (share of equity value)

Name	Domicile	Ownership	Share capital	Parent 2010	Group 2010
Energinet.dk Associated Activities A/S	Fredericia	100%	0.5	21	-
Energinet.dk Gaslager Holding A/S	Fredericia	100%	50	585	-
Regionale Net.dk A/S	Fredericia	100%	500	1,967	-
<b>Total, directly owned</b>				<b>2,573</b>	<b>-</b>
Energinet.dk Gaslager A/S	Fredericia	100%	50	1,782	-

#### Equity investments in subsidiaries (share of equity value)

Name	Domicile	Ownership	Share capital	Parent 2010	Group 2010
Nord Pool Spot AS	Oslo (N)	20%	50 NOK	32	32
Nord Pool Gas A/S	Fredericia	50%	10 DKK	2	2
European Market Coupling Company GmbH	Hamburg (D)	20%	1.6 EUR	1	1
<b>Total</b>				<b>35</b>	<b>35</b>

There are no significant intercompany profits or losses from trading with associates at 31 December 2010.

Associates are recognised and measured as independent entities.

#### Equity investments (share of equity value)

Name	Domicile	Ownership	Share capital	Parent 2010	Group 2010
Danish Gas Technology Centre	Hørsholm	15.6%	9	1	1
<b>Total</b>				<b>1</b>	<b>1</b>

## Notes

Parent		Note	Amounts in DKK million	Group	
2009	2010			2010	2009
		12	<b>Receivables from associates</b>		
74	73		Trade receivables	73	74
6	12		Loans	12	6
<b>80</b>	<b>85</b>		<b>Total</b>	<b>85</b>	<b>80</b>
			<b>Expected maturity of receivables from associates:</b>		
76	82		Less than 1 year	82	76
4	3		1-5 years	3	4
0	0		More than 5 years	0	0
<b>80</b>	<b>85</b>		<b>Total</b>	<b>85</b>	<b>80</b>
		13	<b>Other receivables</b>		
494	304		Accumulated deficit, PSO segment*	304	494
420	427		Market value of financial instruments	427	424
793	718		Energy settlement	718	793
173	264		Other receivables	264	169
<b>1,880</b>	<b>1,713</b>		<b>Total</b>	<b>1,713</b>	<b>1,880</b>
			* Accumulated deficit of DKK 304 million comprises depreciation of future decommissioning costs of DKK 28 million in respect of facilities acquired before 1 January 2005. The depreciation amount will be included in the tariffs when the decommissioning costs are defrayed.		
			<b>Expected maturity of other receivables:</b>		
1,496	1,317		Less than 1 year	1,317	1,496
62	96		1-5 years	96	62
322	300		More than 5 years	300	322
<b>1,880</b>	<b>1,713</b>		<b>Total</b>	<b>1,713</b>	<b>1,880</b>



## Notes

Parent		Note	Amounts in DKK million	Group	
2009	2010			2010	2009
		14	<b>Prepayments</b>		
8	0		Right of use of the German part of the Kontek Link	0	8
23	33		Other prepayments	33	24
<b>31</b>	<b>33</b>		<b>Total</b>	<b>33</b>	<b>32</b>
			<b>Expected maturity of prepayments</b>		
31	33		Less than 1 year	33	32
0	0		1-5 years	0	0
0	0		More than 5 years	0	0
<b>31</b>	<b>33</b>		<b>Total</b>	<b>33</b>	<b>32</b>
		15	<b>Deferred tax liabilities</b>		
1,536	1,591		Deferred tax at 1 January	2,610	2,597
(36)	141		Adjustment in respect of previous years	140	(31)
91	14		Change in deferred tax concerning profit/(loss) for the year	(33)	44
0	0		Change in hedging instruments	0	0
<b>1,591</b>	<b>1,746</b>		<b>Total</b>	<b>2,717</b>	<b>2,610</b>
			<b>Deferred tax concerns</b>		
120	75		Intangible assets	76	121
1,686	1,777		Property, plant and equipment	2,792	2,730
(193)	(190)		Current assets	(190)	(193)
20	149		Liabilities other than provisions	104	(6)
(42)	(65)		Tax loss to be carried forward	(65)	(42)
<b>1,591</b>	<b>1,746</b>		<b>Total</b>	<b>2,717</b>	<b>2,610</b>

Tax loss to be carried forward concerns activities in the electricity segment and can be deducted from any future profits gained from these activities. The loss is expected to be used within a short period of time.

## Notes

Parent		Note	Amounts in DKK million	Group	
2009	2010			2010	2009
		16	<b>Provisions</b>		
466	598		Provisions at 1 January	700	563
104	75		Provisions made during the year	75	104
31	313		Change in present value	392	36
(3)	0		Provisions consumed for the year	0	(3)
0	(9)		Provisions reversed during the year	(9)	0
<b>598</b>	<b>977</b>		<b>Total</b>	<b>1,158</b>	<b>700</b>
			<b>Expected maturity of provisions:</b>		
68	56		Less than 1 year	56	75
110	40		1-5 years	43	142
420	881		More than 5 years	1,059	483
<b>598</b>	<b>977</b>		<b>Total</b>	<b>1,158</b>	<b>700</b>

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 when 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 on a disaggregated basis. The expense per disaggregated unit is stated in 2010 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 determination of the decommissioning provisions are reassessed once a year when the annual report is prepared. In 2010, the examination led to an increase in provisions of DKK 385 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 2010, the total decommissioning provisions constituted DKK 1,070 million.

## Notes

Parent				Group	
2009	2010	Note	Amounts in DKK million	2010	2009
		17	<b>Long-term liabilities other than provisions</b>		
<b>6,414</b>	<b>4,948</b>		<b>Long-term loans</b>	<b>6,110</b>	<b>7,651</b>

### Primary financial instruments 2010

Lender/type	Principal	Currency	Nom. interest rate	Expiry	Carrying amount	Carrying amount incl. swaps
Nationalbanken	1,000	DKK	6	2011	1,015	1,015
Nationalbanken	500	DKK	4	2012	528	519
Nationalbanken	870	DKK	5	2013	893	893
Nationalbanken	615	DKK	4	2015	593	593
Nationalbanken	1,490	DKK	4	2017	1,531	1,537
Nationalbanken	1,000	DKK	7	2024	1,328	941
NIB	83	DKK	Variable	2011	83	83
RD	112	DKK	4.33	2036	110	110
<b>Total, Parent</b>					<b>6,081</b>	<b>5,691</b>
DePfa	1,500	DKK	Variable	2027	1,237	1,275
<b>Total, Group</b>					<b>7,318</b>	<b>6,966</b>

The portfolio of liabilities amounts to DKK 6,966 million. Of this amount, DKK 1,208 million falls due in 2011. The amount is stated as a short-term liability other than provisions under 'Current maturities of long-term liabilities other than provisions'.

### Following conversion into DKK, the aggregate principal falls due as follows:

45	1,133	Less than 1 year	1,208	121
3,067	2,108	1-5 years	2,408	3,366
3,347	2,840	More than 5 years	3,702	4,285
<b>6,459</b>	<b>6,081</b>	<b>Total</b>	<b>7,318</b>	<b>7,772</b>

(ctd.)

## Notes

Parent		Note	Amounts in DKK million	Group	
2009	2010			2010	2009

### 17 Long-term liabilities other than provisions (ctd.)

#### Maturities of loans and associated swaps - Parent:

	Other receivables	Other payables	Loans	Total
Less than 1 year	(42)	0	1,133	1,091
1-5 years	(105)	0	2,108	2,003
More than 5 years	(280)	16	2,840	2,576
<b>Total</b>	<b>(427)</b>	<b>16</b>	<b>6,081</b>	<b>5,670</b>

DKK 1,133 million has been recognised under 'Current maturities of long-term liabilities other than provisions'. The amount relates to loans.

#### Maturities of loans and associated swaps - Group:

	Other receivables	Other payables	Loans	Total
Less than 1 year	(42)	0	1,208	1,166
1-5 years	(105)	38	2,408	2,341
More than 5 years	(280)	16	2,702	2,438
<b>Total</b>	<b>(427)</b>	<b>54</b>	<b>7,318</b>	<b>6,945</b>

DKK 1,208 million has been recognised under 'Current maturities of long-term liabilities other than provisions'. The amount relates to loans.

### 18 Deferred income

111	0	Prepayments relating to the Kontek Link	0	111
0	391	EU grants	391	0
0	13	Other deferred income	13	0
<b>111</b>	<b>404</b>	<b>Total</b>	<b>404</b>	<b>111</b>
<b>Expected maturity of deferred income:</b>				
111	2	Less than 1 year	2	111
0	4	1-5 years	4	0
0	398	More than 5 years	398	0
<b>111</b>	<b>404</b>	<b>Total</b>	<b>404</b>	<b>111</b>

# Notes

Parent				Group	
2009	2010	Note	Amounts in DKK million	2010	2009
		19	<b>Corporation tax</b>		
(23)	6		Corporation tax payable at 1 January	6	-23
83	115		Current tax for the year	115	83
(64)	(92)		Paid corporation tax for the year	(92)	(64)
10	11		Correction in respect of previous years	11	10
<b>6</b>	<b>40</b>		<b>Total (less receivables)</b>	<b>40</b>	<b>6</b>
		20	<b>Other payables</b>		
374	399		Commitments on subsidies for research and development	399	374
65	74		Pay-related items	75	67
0	16		Market value of financial instruments	54	13
48	48		Interest payable	55	59
455	433		Energy settlement	433	455
312	303		Other	307	318
<b>1.254</b>	<b>1.273</b>		<b>Total</b>	<b>1.323</b>	<b>1.286</b>

## 21 Provision of security and charges

Land, buildings and plant incident to gas-related activities, the carrying amount of which constituted DKK 4,000 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 1,237 million.

## 22 Group derivative financial instruments

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

In addition, interest rate swap agreements have been concluded with a view to managing the interest risk on the loan portfolio.

(ctd.)

## Notes

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

Amounts in DKK million

Currency risks of loans	Currency loans	SWAP deposits in currencies	SWAP deposits in DKK	SWAP loans in DKK	Market value	Expiry
SEK	(1,314)	1,314	1,087	(1,066)	21	2010
<b>Total, Group</b>	<b>(1,314)</b>	<b>1,314</b>	<b>1,087</b>	<b>1,066</b>	<b>21</b>	

The market value of currency swap agreements is DKK 21 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 risks in connection with contracts and raw materials	Currency contract	Date of maturity	Contract in DKK	Date of maturity in DKK	Market value	Expiry
USD	(1)	1	(8)	7	(1)	2011
<b>Total, Group</b>			<b>(8)</b>	<b>7</b>	<b>(1)</b>	

Interest rate risks of loans	Nominal	Market value	Year of expiry
Fixed to floating	(1,000)	397	2024
Floating to fixed	(1,000)	(10)	2019
Fixed to floating	(500)	9	2012
Fixed to floating	(500)	(6)	2017
Floating to fixed	(1,238)	(38)	2015
<b>Total, Group</b>	<b>(4,238)</b>	<b>352</b>	

The market value of currency swap agreements is DKK 352 million, with a negative DKK 54 million being stated under 'Other payables' and DKK 406 million being stated under 'Other receivables'.

# Notes

## Note 23 **Contingent liabilities and other financial liabilities**

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 the company's earning potential changes in relation to the legislation applicable at the time of acquisition.

Energinet.dk has several tax cases pending a decision by the Danish National Tax Tribunal, the most important of which concern the tax values of transit agreements and ancillary services agreements. In Energinet.dk's opinion, the Tax Tribunal will find in favour of Energinet.dk, and this is reflected in the Annual Report. If Energinet.dk loses the pending tax cases, deferred tax will increase by approximately DKK 150-200 million.

SKAT intends to overrule Energinet.dk's tax treatment of congestion rents transferred to reserves, which up to 2010 will constitute DKK 1,915 million. If this happens, Energinet.dk will have to add this amount to its taxable income, which will result in tax payments in the electricity segments.

Energinet.dk has taken over agreements made with Statnett under which Energinet.dk is to pay NOK 11 million annually over the next 13 years for gaining access to the capacity on the Skagerrak interconnection. Statnett has committed itself to maintaining the international connections to Norway in the same period. In addition, Energinet.dk must pay half of the actual expenses of operating the cable. The agreements can be terminated by either party giving five years' notice.

In connection with the establishment and commissioning of the landing facilities for the Horns Rev 2 offshore wind farm Energinet.dk has been forced to suspend transmission for a shorter period of time due to repair of the cable joints. Because of the outage time electricity generated by the newly erected offshore wind farm could not be transmitted into the distribution network. The financial consequences of the outage time have not yet been clarified.

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 disconnections and congestion on the cable. Energinet.dk owns the Kontek Link and has therefore become involved in the case.

Energinet.dk has provided a guarantee covering 50% of loans taken out by Nord Pool Gas A/S with Nordea Bank Danmark A/S, not exceeding DKK 50 million, however. The guarantee expires on 30 April 2011.

Energinet.dk has lease commitments of DKK 7 million.

## Note 24 **Related parties**

### **Basis**

The Danish Ministry of Climate and Energy Stormgade 2-6 DK-1470 Copenhagen K	100% ownership
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Supervisory Board and Executive Board	Control of management
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As regards the Energinet.dk Group's transactions with members of the Supervisory and Executive Boards, reference is made to Note 4 in the Annual Report.

The Energinet.dk Group did not engage in other transactions with related parties in 2010.

## Segmental financial statements 2010

Amounts in DKK million	PSO West	PSO East	System West	System East	Grid West	Grid East	Gas transmission	Gas storage facility	Total 2010	Total 2009
Tariff income	1,921	1,083	283	655	576	748	841	248	6,355	7,175
Sale of electricity from wind turbines and other RE facilities	528	100							628	651
Sale of electricity from local units	104	30							134	130
Income from interconnections					494	353			847	736
Balance market			291	98			28		417	278
Power generation subsidies			89	37					126	222
Excess revenue/deficit	(108)	(82)							(190)	28
Other income			16	7	19	8	12		62	33
<b>Gross revenue</b>	<b>2,445</b>	<b>1,131</b>	<b>679</b>	<b>797</b>	<b>1,089</b>	<b>1,109</b>	<b>881</b>	<b>248</b>	<b>8,379</b>	<b>9,253</b>
Subsidies for wind turbines and other RE facilities	(1,397)	(652)							(2,049)	(2,194)
Subsidies for local CHP plants	(705)	(153)							(858)	(1,410)
Grid connection of wind turbines and local CPH plants	(85)	4							(81)	(3)
Grid connection of offshore wind turbines	(18)	(21)							(39)	(40)
Grid losses in offshore grid	(29)	(5)							(34)	(65)
R&D of environmentally friendly power generation	(96)	(55)							(151)	(130)
R&D of efficient energy use	(15)	(10)							(25)	(25)
R&D of renewable energy	(15)	(10)							(25)	(25)
Danish Safety Technology Authority	(36)	(22)							(58)	(54)
Minimum generation capacity	0	(182)							(182)	(364)
Other PSO costs	(29)	(9)							(38)	(13)
Net financials	(20)	(16)							(36)	(35)
<b>Total costs of environmentally friendly power generation etc.</b>	<b>(2,445)</b>	<b>(1,131)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,576)</b>	<b>(4,358)</b>
<b>Revenue</b>	<b>0</b>	<b>0</b>	<b>679</b>	<b>797</b>	<b>1,089</b>	<b>1,109</b>	<b>881</b>	<b>248</b>	<b>4,803</b>	<b>4,895</b>
Own work capitalised			38	26	53	33	34	0	184	158
<b>Total revenue</b> (ctd.)	<b>0</b>	<b>0</b>	<b>717</b>	<b>823</b>	<b>1,142</b>	<b>1,142</b>	<b>915</b>	<b>248</b>	<b>4,987</b>	<b>5,053</b>



## Segmental financial statements 2010 (ctd.)

Amounts in DKK million	PSO West	PSO East	System West	System East	Grid West	Grid East	Gas transmission	Gas storage facility	Total 2010	Total 2009
Transmission losses					(206)	(164)			(370)	(297)
Special regulation and countertrade					9	(13)			(4)	(14)
Regulating power			(207)	(66)					(273)	(168)
Payment for the 132/150 kV grid					(323)	(170)			(493)	(548)
Payment for reserves/storage capacity			(320)	(514)			(242)		(1,076)	(1,060)
Expenses related to foreign grids					(85)	(32)			(117)	(54)
Inspections by the Danish Energy Regulatory Authority and the Danish Energy Agency			(5)	(35)			(2)		(42)	(49)
Power generation subsidies			(92)	(34)					(126)	(222)
Other external operating expenses			(76)	(50)	(116)	(86)	(73)	(32)	(433)	(534)
<b>Total other external expenses</b>	<b>0</b>	<b>0</b>	<b>(700)</b>	<b>(699)</b>	<b>(721)</b>	<b>(465)</b>	<b>(317)</b>	<b>(32)</b>	<b>(2,934)</b>	<b>(2,946)</b>
Staff costs			(91)	(60)	(83)	(48)	(88)	(10)	(380)	(353)
<b>Total costs/expenses</b>	<b>0</b>	<b>0</b>	<b>(791)</b>	<b>(759)</b>	<b>(804)</b>	<b>(513)</b>	<b>(405)</b>	<b>(42)</b>	<b>(3,314)</b>	<b>(3,299)</b>
<b>Profit before depreciation, amortisation and impairment losses</b>	<b>0</b>	<b>0</b>	<b>(74)</b>	<b>64</b>	<b>338</b>	<b>629</b>	<b>510</b>	<b>206</b>	<b>1,673</b>	<b>1,754</b>
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets			(27)	(19)	(242)	(317)	(215)	(111)	(931)	(893)
<b>Operating profit/(loss)</b>	<b>0</b>	<b>0</b>	<b>(101)</b>	<b>45</b>	<b>96</b>	<b>312</b>	<b>295</b>	<b>95</b>	<b>742</b>	<b>861</b>
Net financials			(3)	(13)	(22)	(99)	(97)	(72)	(306)	(308)
<b>Pre-tax profit/(loss)</b>	<b>0</b>	<b>0</b>	<b>(104)</b>	<b>32</b>	<b>74</b>	<b>213</b>	<b>198</b>	<b>23</b>	<b>436</b>	<b>553</b>
Tax on profit/(loss) for the year			26	(7)	(15)	(24)	(55)	(14)	(89)	(97)
<b>Profit/(loss) for the year</b>	<b>0</b>	<b>0</b>	<b>(78)</b>	<b>25</b>	<b>59</b>	<b>189</b>	<b>143</b>	<b>9</b>	<b>347</b>	<b>456</b>
<b>Excess revenue/deficit to be included in tariffs</b>										
Accumulated excess revenue/deficit, beginning of year	(419)	(75)	155	(306)	1,448	143	208		1,154	543
Adjustment of opening balance					(4)				(4)	0
Strengthening of contributed capital					(93)	(52)	(9)		(154)	111
Changes for the year	108	82	(103)	32	74	237	110		540	500
<b>Accumulated excess revenue/deficit, end of year</b>	<b>(311)</b>	<b>7</b>	<b>52</b>	<b>(274)</b>	<b>1,425</b>	<b>328</b>	<b>309</b>	<b>0</b>	<b>1,536</b>	<b>1,154</b>

Accumulated excess revenue/deficit of DKK 1,536 million comprises, among other things, congestion rents transferred to reserves in accordance with EU regulation no. 1228/2003 including capitalisation in the amount of DKK 1,915 million.

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

(ctd.)

## Segmental financial statements 2010 (ctd.)

Amounts in DKK million	PSO West	PSO East	System West	System East	Grid West	Grid East	Gas trans- mission	Gas storage facility	Total 2010	Total 2009
<b>Assets</b>										
<b>Property, plant and equipment</b>										
Intangible assets	0	266	59	39	69	255	69	208	965	1,197
Property, plant and equipment	227	0	111	99	4,580	5,316	4,000	2,089	16,422	15,809
Investments	0	0	16	16	0	0	4	0	36	32
<b>Total non-current assets</b>	<b>227</b>	<b>266</b>	<b>186</b>	<b>154</b>	<b>4,649</b>	<b>5,571</b>	<b>4,073</b>	<b>2,297</b>	<b>17,423</b>	<b>17,038</b>
<b>Current assets</b>										
Inventories	0	18	0	0	8	7	87	0	120	66
Receivables	603	148	180	185	275	125	344	11	1,871	2,108
Cash	54	36	105	70	126	82	160	27	660	417
<b>Total current assets</b>	<b>657</b>	<b>202</b>	<b>285</b>	<b>255</b>	<b>409</b>	<b>214</b>	<b>591</b>	<b>38</b>	<b>2,651</b>	<b>2,591</b>
<b>Total assets</b>	<b>884</b>	<b>468</b>	<b>471</b>	<b>409</b>	<b>5,058</b>	<b>5,785</b>	<b>4,664</b>	<b>2,335</b>	<b>20,074</b>	<b>19,629</b>
<b>Equity and liabilities</b>										
<b>Equity</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>(214)</b>	<b>3,470</b>	<b>1,638</b>	<b>614</b>	<b>14</b>	<b>5,567</b>	<b>5,396</b>
<b>Provisions</b>	<b>92</b>	<b>59</b>	<b>(116)</b>	<b>(101)</b>	<b>1,067</b>	<b>1,159</b>	<b>1,169</b>	<b>546</b>	<b>3,875</b>	<b>3,310</b>
<b>Liabilities other than provisions</b>										
Interest-bearing debt	644	297	278	525	234	2,656	2,297	1,724	8,655	9,238
Other liabilities other than provisions	148	112	264	199	287	332	584	51	1,977	1,685
<b>Total liabilities other than provisions</b>	<b>792</b>	<b>409</b>	<b>542</b>	<b>724</b>	<b>521</b>	<b>2,988</b>	<b>2,881</b>	<b>1,775</b>	<b>10,632</b>	<b>10,923</b>
<b>Total equity and liabilities</b>	<b>884</b>	<b>468</b>	<b>471</b>	<b>409</b>	<b>5,058</b>	<b>5,785</b>	<b>4,664</b>	<b>2,335</b>	<b>20,074</b>	<b>19,629</b>

## Segmental financial statements 2009

Amounts in DKK million	PSO West	PSO East	System West	System East	Grid West	Grid East	Gas transmission	Gas storage facility	Total 2009
Tariff income	2,235	1,314	572	411	848	763	785	247	7,175
Sale of electricity from wind turbines and other RE facilities	562	89							651
Sale of electricity from local units	90	40							130
Income from interconnections					468	268			736
Balance market			193	71			14		278
Power generation subsidies			148	74					222
Excess revenue/deficit	114	(86)							28
Other income			9	3	10	5	6		33
<b>Gross revenue</b>	<b>3,001</b>	<b>1,357</b>	<b>922</b>	<b>559</b>	<b>1,326</b>	<b>1,036</b>	<b>805</b>	<b>247</b>	<b>9,253</b>
Subsidies for wind turbines and other RE facilities	(1,481)	(713)							(2,194)
Subsidies for local CHP plants	(1,092)	(318)							(1,410)
Grid connection of wind turbines and local CPH plants	(3)	0							(3)
Grid connection of offshore wind turbines	(19)	(21)							(40)
Grid losses in offshore grid	(49)	(16)							(65)
R&D of environmentally friendly power generation	(77)	(53)							(130)
R&D of efficient energy use	(15)	(10)							(25)
R&D of renewable energy	(15)	(10)							(25)
Danish Safety Technology Authority	(32)	(22)							(54)
Minimum generation capacity	(192)	(172)							(364)
Other PSO costs	(9)	(4)							(13)
Net financials	(17)	(18)							(35)
<b>Total costs of environmentally friendly power generation etc.</b>	<b>(3,001)</b>	<b>(1,357)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,358)</b>
<b>Revenue</b>	<b>0</b>	<b>0</b>	<b>922</b>	<b>559</b>	<b>1,326</b>	<b>1,036</b>	<b>805</b>	<b>247</b>	<b>4,895</b>
Own work capitalised			33	22	52	24	26	1	158
Other operating income									0
<b>Total revenue</b>	<b>0</b>	<b>0</b>	<b>955</b>	<b>581</b>	<b>1,378</b>	<b>1,060</b>	<b>831</b>	<b>248</b>	<b>5,053</b>

## Segmental financial statements 2009 (ctd.)

Amounts in DKK million	PSO West	PSO East	System West	System East	Grid West	Grid East	Gas transmission	Gas storage facility	Total 2009
Transmission losses					(199)	(98)			(297)
Special regulation and countertrade					(13)	(1)			(14)
Regulating power			(95)	(73)					(168)
Payment for the 132/150 kV grid					(311)	(237)			(548)
Payment for reserves/storage capacity			(273)	(365)			(422)		(1,060)
Expenses related to foreign grids					(21)	(33)			(54)
Inspections by the Danish Energy Regulatory Authority and the Danish Energy Agency			(25)	(17)			(7)		(49)
Power generation subsidies			(148)	(74)					(222)
Other external operating expenses			(87)	(58)	(120)	(130)	(108)	(31)	(534)
<b>Total other external expenses</b>	<b>o</b>	<b>o</b>	<b>(628)</b>	<b>(587)</b>	<b>(664)</b>	<b>(499)</b>	<b>(537)</b>	<b>(31)</b>	<b>(2,946)</b>
Staff costs			(85)	(57)	(75)	(43)	(83)	(10)	(353)
<b>Total costs/expenses</b>	<b>o</b>	<b>o</b>	<b>(713)</b>	<b>(644)</b>	<b>(739)</b>	<b>(542)</b>	<b>(620)</b>	<b>(41)</b>	<b>(3,299)</b>
<b>Profit before depreciation, amortisation and impairment losses</b>	<b>o</b>	<b>o</b>	<b>242</b>	<b>(63)</b>	<b>639</b>	<b>518</b>	<b>211</b>	<b>207</b>	<b>1,754</b>
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets			(22)	(11)	(244)	(301)	(207)	(108)	(893)
<b>Operating profit/(loss)</b>	<b>o</b>	<b>o</b>	<b>220</b>	<b>(74)</b>	<b>395</b>	<b>217</b>	<b>4</b>	<b>99</b>	<b>861</b>
Net financials			(8)	(14)	(19)	(89)	(91)	(87)	(308)
<b>Pre-tax profit/(loss)</b>	<b>o</b>	<b>o</b>	<b>212</b>	<b>(88)</b>	<b>376</b>	<b>128</b>	<b>(87)</b>	<b>12</b>	<b>553</b>
Tax on profit/(loss) for the year			(53)	21	(97)	19	26	(13)	(97)
<b>Profit/(loss) for the year</b>	<b>o</b>	<b>o</b>	<b>159</b>	<b>(67)</b>	<b>279</b>	<b>147</b>	<b>(61)</b>	<b>(1)</b>	<b>456</b>
<b>Excess revenue/deficit to be included in tariffs</b>									
Accumulated excess revenue/deficit, beginning of year	(305)	(161)	(57)	(218)	1,011	(48)	321		543
Strengthening of contributed capital					67	38	6		111
Changes for the year	(114)	86	212	(88)	370	153	(119)		500
<b>Accumulated excess revenue/deficit, end of year</b>	<b>(419)</b>	<b>(75)</b>	<b>155</b>	<b>(306)</b>	<b>1,448</b>	<b>143</b>	<b>208</b>	<b>o</b>	<b>1,154</b>

Accumulated excess revenue/deficit of DKK 1,154 million comprises, among other things, congestion rents transferred to reserves in accordance with EU regulation no. 1228/2003 including capitalisation in the amount of DKK 1,368 million.

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

(ctd.)

## Segmental financial statements 2009 (ctd.)

Amounts in DKK million	PSO West	PSO East	System West	System East	Grid West	Grid East	Gas transmission	Gas storage facility	Total 2009
<b>Assets</b>									
<b>Property, plant and equipment</b>									
Intangible assets		442	59	39	71	273	87	226	1,197
Property, plant and equipment	231		106	98	4,182	5,102	3,943	2,147	15,809
Investments			13	14			5		32
<b>Total non-current assets</b>	<b>231</b>	<b>442</b>	<b>178</b>	<b>151</b>	<b>4,253</b>	<b>5,375</b>	<b>4,035</b>	<b>2,373</b>	<b>17,038</b>
<b>Current assets</b>									
Inventories					7	6	53		66
Receivables	665	416	171	114	268	185	268	21	2,108
Cash	34	22	70	47	78	50	114	2	417
<b>Total current assets</b>	<b>699</b>	<b>438</b>	<b>241</b>	<b>161</b>	<b>353</b>	<b>241</b>	<b>435</b>	<b>23</b>	<b>2,591</b>
<b>Total assets</b>	<b>930</b>	<b>880</b>	<b>419</b>	<b>312</b>	<b>4,606</b>	<b>5,616</b>	<b>4,470</b>	<b>2,396</b>	<b>19,629</b>
<b>Equity and liabilities</b>									
<b>Equity</b>	<b>0</b>	<b>0</b>	<b>122</b>	<b>(239)</b>	<b>3,565</b>	<b>1,450</b>	<b>471</b>	<b>27</b>	<b>5,396</b>
<b>Provisions</b>	<b>50</b>	<b>28</b>	<b>(26)</b>	<b>(42)</b>	<b>634</b>	<b>1,036</b>	<b>1,086</b>	<b>544</b>	<b>3,310</b>
<b>Liabilities other than provisions</b>									
Interest-bearing debt	405	536	152	462	244	2,886	2,762	1,791	9,238
Other liabilities other than provisions	475	316	171	131	163	244	151	34	1,685
<b>Total liabilities other than provisions</b>	<b>880</b>	<b>852</b>	<b>323</b>	<b>593</b>	<b>407</b>	<b>3,130</b>	<b>2,913</b>	<b>1,825</b>	<b>10,923</b>
<b>Total equity and liabilities</b>	<b>930</b>	<b>880</b>	<b>419</b>	<b>312</b>	<b>4,606</b>	<b>5,616</b>	<b>4,470</b>	<b>2,396</b>	<b>19,629</b>



## Accounting policies

The Annual Report of the independent public enterprise Energinet.dk for the period 1 January - 31 December 2010 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.

The same accounting policies are applied in the 2010 Annual Report as in the 2009 Annual Report.

### General comments on recognition and measurement

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

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

#### **Derivative financial instruments**

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

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

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

liability and are recognised under the same item as the hedged asset or liability.

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

### **Income statement**

#### **Revenue**

Gross revenue includes the transmission of electricity and natural gas as well as related services. Revenue is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the year and 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. Gross revenue thus indicates the total scope of the activities managed by Energinet.dk.

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

#### **Own work capitalised**

Own work capitalised includes staff costs and indirect expenses incurred in connection with internally developed non-current assets.





#### **Other operating income**

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

#### **Other external expenses**

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

#### **Staff costs**

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



The jointly taxed enterprise and companies subscribe to the tax prepayment scheme. Additions, deductions and reimbursements relating to the tax payment are recognised under 'Net financials'.

## Balance sheet

### 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, sub-suppliers 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 depreciated 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, sub-suppliers and labour. Furthermore, any finance costs attributable to the cost are recognised. In addition, decommissioning costs are recognised as a part of the cost.

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

Land	Is not depreciated
Buildings	20-50 years
Production 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 TDKK 100 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 dismantling, 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 inter-company 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 concerning 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.

### **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.

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

Positive and negative differences between realised income and the sum of necessary expenses and interest relating to grid and system activities within the fields of electricity and gas as well as congestion rents are recognised in a separate item, 'Excess revenue/deficit', under equity.

In addition, the item includes results from subsidiaries, adjustments of deferred tax liabilities and fair value adjustments of the hedging instruments which for accounting purposes are recognised directly in equity.

#### **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 adopted at the balance sheet date.

However, deferred tax on temporary differences relating to non-amortisable goodwill, 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.

**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 related 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.

**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.

**Segment information**

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

## Electoral terms and directorships of the Supervisory and Executive Board members

### Supervisory Board:

#### Niels Fog, formand

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
- Deputy chairman of the supervisory board of ID Sparinvest A/S
- Member of the supervisory board of BRF Holding A/S.

#### Anne Broeng

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 PFA Professionel Forening, PFA Portefølje Administration A/S, PFA Ejendomme A/S samt PFA Invest International A/S with seven associated subsidiaries.

#### Birgitte Kiær Ahring

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

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 board of Annelise og Tage Søndergaards Fond, Ejendomsselskabet af 2/1 1989 Esbjerg and Tage Søndergaard Holding A/S.

#### Per Sørensen

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 board of Horsens Vand A/S and Delpro A/S.

#### Erik Dahl, Peter Møllgaard, Poul Erik Morthorst

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.

**Berit Schilling, Carl Erik Madsen**

Employee-elected, joined the Supervisory Board on 24 August 2007.  
The term of office expires on 24 August 2011.

**Other directorships:**

- None.

**Christoffer Nicolaj Rasch**

Employee-elected, joined the Supervisory Board on 1 January 2011.

The term of office expires on 24 August 2011.

**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**

**Other directorships:**

- Member of the supervisory board of Airport Terminal A ApS
- Member of the supervisory board of Grapevine ApS
- Managing director of Torben Thyregod Holding ApS with two associated subsidiaries
- Managing Director of Application Producers ApS.

**Torben Glar Nielsen, Executive Vice President**

**Other directorships:**

- None.

## Stakeholder Forum

### Members at 1 January 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

Birthe Holst Jørgensen, senior researcher, Risø DTU

Camilla Damsø Petersen, 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 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 Petersen, climate-political employee, Danish Society for Nature Conservation

Jens Astrup Madsen, energy manager, Danish Agriculture & Food Council

Jørgen G. Jørgensen, manager, Danish District Heating Association

Knud Sloth, director, Utility Administration, Aalborg Municipality

Leif Winum, manager

Lotte Holmberg Rasmussen, MSc in Engineering, Nordjysk Elhandel A/S

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

## Footnotes

1. Abbreviation of 'Transmission System Operator'. Enterprise responsible for the overall operational reliability of the electricity and gas systems and for handling the Public Service Obligations.
2. A power system where the generation, transport and consumption of electricity is connected intelligently and controlled by computers ensuring that all parts of the system interact in an intelligent manner. Smart Grid is also called the intelligent power system.
3. A gas system based on renewable energy gases, eg biogas, which is obtained through the gasification of biomass, partly methane, which is produced on the basis of hydrogen from electrolysis driven by wind power generated electricity.
4. In order for biogas to be used in the natural gas system, it must be upgraded, ie cleaned of CO<sub>2</sub>.
5. Collaboration between two or more power exchanges which ensures that electricity always flows from low-price areas to high-price areas.
6. A market where trading is effected on the day before the product is delivered physically. At Nord Pool Spot's Elspot market, for example, trades are conducted before 12.00 on the day before the electricity is exchanged physically.
7. Hourly metering and settlement of electricity incentivise the consumer to adapt electricity consumption to the prices which differ from hour to hour.
8. The national, public authority that regulates conditions in the electricity, natural gas and district heating markets.
9. Deviations from submitted notifications attributable to balance responsible parties (BRPs) cause imbalances in the entire power system. The transmission system operator (TSO) balances power generation and consumption during the day of operation by purchasing regulating power. The costs of purchasing this regulating power will be divided between the BRPs.
10. Companies purchasing electricity in the market for electricity suppliers and own end customers and/or selling electricity generated by their own generation facilities and by other producers.
11. Congestion rents are the result of capacity restrictions on the interconnections (congestion) leading to price differences between the two price areas linked by the interconnection. The price differences are collected by the power exchanges in Norway and Germany which subsequently distribute the income between the owners of the interconnections.
12. Energinet.dk has concluded agreements with large gas consumers to the effect that they will reduce their gas consumption in emergency situations against payment. This could, for example, be in situations when gas cannot be transported from the North Sea for any length of time.
13. Emergency start-up units must be able to start independently of any external power supply and help to restore electricity supply after major power cuts.
14. Reserves which Energinet.dk has at its disposal and which can be activated for regulating power or when plants break down. Energinet.dk also buys automatic reserves that are activated automatically when the frequency changes.
15. A market where trading takes place on the same day as the product is delivered physically. At Nord Pool Spot's Elspot market, for example, trades are conducted up to one hour before the electricity is supplied physically.
16. Power generation capacity of power stations which Energinet.dk pays to stand by if a power station shuts down or a transmission line trips or is disconnected.
17. To strike a balance between the market players' notifications for the purchase and sale of electricity on the one hand and the actual power generation and consumption on the other, Energinet.dk buys and sells regulating power in a special Nordic regulating power market.
18. Lille Torup natural gas storage facility consists of seven gigantic caverns placed at a depth of 1.2-1.5 km in a large subterranean salt dome.
19. The countries that make their electricity transmission grids available for transit receive compensation from the countries using the grids for transit.
20. The national, public authority that regulates conditions in the electricity, natural gas and district heating markets.
21. Employer Branding is an umbrella term for the initiatives we implement to market Energinet.dk as an attractive place of work for present and potential employees.



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