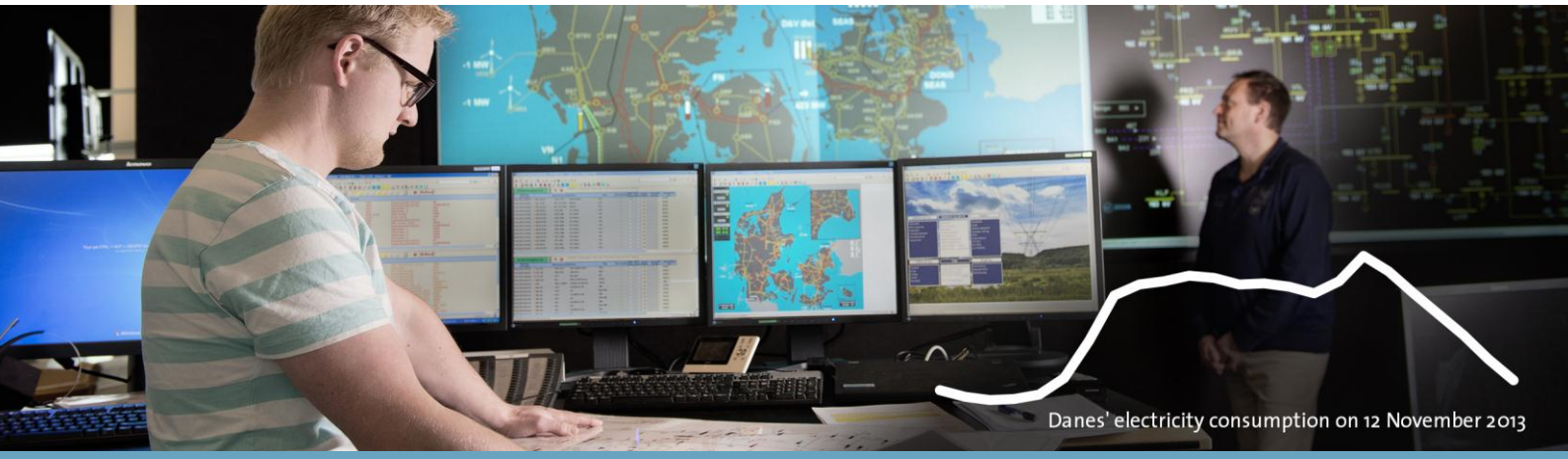


Annual report 2013

ENERGINET.DK

We connect energy and people

Annual report 2013
Energinet.dk's annual report is only published in an electronic version.

The report can be downloaded in Danish at:
www.energinet.dk/aarsrapport-2013

The report can be downloaded in English at:
www.energinet.dk/annual-report-2013

Photos: Maria Tuxen Hedegaard

Contents

Management's review
Preface 5
Energinet.dk's value creation 8
Efficiency and value creation must go hand in hand 10
Green transition and secure energy supplies must go hand in hand 13
Interconnectors contribute to economic sustainability 20
Efficient markets to drive green transition 26
Integration difficult but necessary 32

Corporate governance 37
Supervisory Board 48
Executive Board 50
Stakeholder Forum 51

Financial review 52

Business segments 54

Consolidated financial statements 70
Income statement 71
Assets 72
Equity and liabilities 73
Statement of changes in equity 74
Cash flow statement 76
Notes 77
Accounting policies 95

Consolidated financial statements of the Parent 108
Income statement 109
Assets 110
Equity and liabilities 111
Statement of changes in equity 112
Notes 114
Accounting policies 127
Statement by the Supervisory and Executive Boards on the annual report 128
Internal auditors' report 130
External auditors' report 133

The Group 136

Key ratios 137

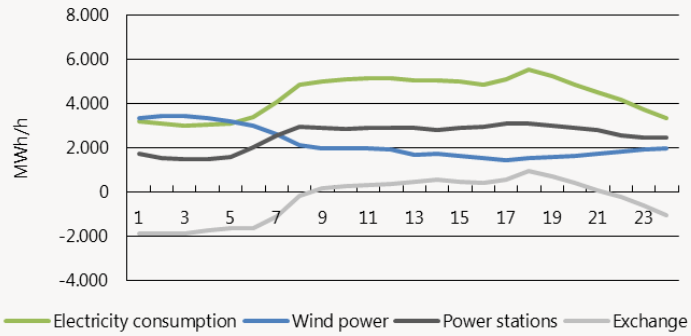
PHOTOS

A day in the life of Denmark

The photographs in Energinet.dk's annual report 2013 depict moments in the daily lives of people in Denmark on an ordinary Tuesday in November, more specifically on 12 November 2013.

Our daily routines are vitally important when it comes to ensuring balance between electricity consumption and electricity generation. Energinet.dk's Electricity Control Centre personnel therefore know when we make coffee in the morning and when we switch off the lights before going to bed at night. They know when production is at its highest in Danish industry, and they know when we settle down to relax at the end of a long day at work. They are also well aware of when we start preparing our evening meals, and that by far the most of us are ready to eat at six o'clock. Finally, they know that there is still at least one TV broadcast which the whole nation will be watching – the Queen's New Year speech. Here, year after year, there is a slight drop in electricity consumption as Danes gather around the television.

Even though key functions in society operate around the clock and some industrial production continues unabated throughout the night, electricity consumption during this period of the day is on average 40% lower than during daytime hours on weekdays in the winter months. After midnight on 12 November, wind speeds were up to 10 metres a second, and wind power generation exceeded electricity consumption. This meant net exports to Denmark's neighbouring countries. In the early hours of the morning, the wind calmed down, so to keep up with Danes' morning routines and the increasing electricity consumption, the power stations had to ramp up production. From about eight o'clock, additional capacity was also sourced from abroad. By lunchtime, consumption had fallen slightly, and did so again as people finished work for the day, but this was just a break before the evening peak as it is called in the power-generating world, ie the time when most Danes cook supper. Electricity consumption then carried on falling as Denmark wound down for the day.



Preface

Denmark has achieved impressive results in its transition to renewable energy. We have managed to ensure world-class security of supply while also creating green growth. We have also succeeded in keeping energy costs down, exclusive of taxes and duties. This is the verdict of the World Economic Forum, which in 2013 included Denmark among Europe's leading players within energy.

In my view, we in Denmark have cracked the code because the many players in the energy industry work together. Moreover, the broad support of politicians as well as industry for the ends as well as the means has helped to ensure that Denmark has achieved the impressive results. Finally, the coherent and integrated energy planning for which Energinet.dk is responsible and the industry's efficiency in performing its tasks – which in 2013 resulted in top scores for Energinet.dk in a European benchmarking exercise – are important ingredients in this Danish success story.

However, we must not rest on our laurels. Energinet.dk is therefore playing a proactive role in further developing Denmark's platform. And acknowledging that changes are required, we have thrown ourselves into conducting the energy analyses which were decided as part of the Danish Energy Agreement in 2012. The analyses will describe possible scenarios and approaches to realising the political objectives of being independent of fossil fuels. Together with the ongoing review of the energy sector's regulatory framework, in 2014 the analyses will form the basis for recommendations on how Denmark can use its strong position as a starting point for further honing the industry's ability to deliver the goods. There will definitely be a need for this. The politically decided green transition cannot be realised by continuing down familiar paths. In the coming years, we must work harder. This is also evident for us at Energinet.dk, among other things as we try to realise our goal of establishing more international connections. The strategy is right, but it is difficult, among other things because Denmark's neighbours often benefit more from having connections to other countries. Therefore, we welcome the decision that has now been made to invest in an interconnection between Jutland and the Netherlands which has been approved by both Energinet.dk and TenneT TSO B.V. in the Netherlands.

2013 was also in many other ways a good year for Energinet.dk. Energinet.dk carried out its core tasks, and despite the risk of problems with gas supplies, two severe storms and new wind power records, the security of supply remained intact. 2013 also saw the completion of a new gas pipeline to Germany, while the work to reinforce the power grid in Jutland and beyond to Norway also proceeded according to plan. Moreover, preparations continued for new offshore wind farms, as did the work to combine the grid connection of the coming wind turbines on Krieger's Flak with an interconnection to Germany. As far as the market is concerned, DataHub in particular is worthy of note as a milestone in the further development of the retail market for electricity.

Energinet.dk's contribution to society takes the form of high security of supply and a contribution to the green transition. The results are documented in the annual report in five chapters that describe how Energinet.dk has carried out its most important tasks for society in the past financial year. The results would not have been achieved without our good business partners and committed employees. I would therefore like to thank everyone for their cooperation and hard work in 2013.

Peder Østermark Andreasen
President and CEO

Energinet.dk – the enterprise

Energinet.dk works for Danish society. The enterprise's sole task is to create value for Denmark's citizens, institutions and businesses, which pay for Energinet.dk's services through tariffs on their electricity and gas bills. Energinet.dk is not supposed to generate a profit for its owner – the Danish state, represented by the Minister for Climate, Energy and Building.

Main energy highways

Energinet.dk owns, runs and builds the Danish electricity and gas transmission grids which also link Denmark to the energy systems in our neighbouring countries.

Reliable energy supplies

Energinet.dk's core service is security of supply. This means that the enterprise is responsible for ensuring that the electricity and gas systems are fully functional so that citizens and businesses are guaranteed electricity and gas supplies now and in future.

Well-functioning markets

Energinet.dk is responsible for creating the right frameworks for well-functioning electricity and gas markets to ensure fair prices for consumers and energy producers.

Efficient transition

Energinet.dk is playing its part in the transition to a green energy system, and is helping to ensure that the transition will benefit Danish society at large.

Energinet.dk's mission and vision

Mission

As the entity responsible for the electricity and natural gas systems, we own the overall 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.

Supporting environmentally friendly energy

On behalf of Danish society, Energinet.dk performs a number of tasks which support the political ambition of a green transition. This includes funding for environmentally friendly energy.

Commercially run companies

Energinet.dk owns and manages two commercial enterprises – a gas storage facility and a company which leases optical fibre cable capacity and sells consultancy services.

33.2%

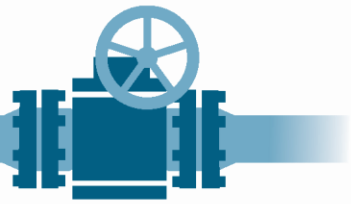
wind relative to electricity consumption

In 2013, 33.2% of electricity consumption was covered by wind power. In December, wind power covered as much as 54.8% of consumption. Both are new records.

DKK 4.8 BILLION

in funding for environmentally friendly energy

All Danes help make the transition to renewable energy possible through the PSO scheme which is administered by Energinet.dk. In 2013, Danes paid DKK 4.8 billion in funding for environmentally friendly energy via their electricity bill.



700,000 m3

natural gas per hour

A new gas pipeline ensures security of gas supply. The gas pipeline doubles the transport capacity of natural gas across the Danish-German border.

Top score

100

A European benchmarking exercise which compares the efficiency of 21 electricity transmission companies resulted in top scores for Energinet.dk.

99.991%

availability of power

Danish electricity consumers have the world's highest security of supply, and are on average only without power for 45 minutes a year.

Solar power

13% 13 JULY

Solar cells still produce only a fraction of Danish electricity. Nevertheless, on 13 July 2013 at 13.00 solar cells generated the equivalent of 13% of electricity consumption.

Capital investments in 2013

DKK 3.3 BILLION

Energinet.dk is investing extensively in efficient and secure energy supply in Denmark, thereby creating the framework for the integration of renewable energy and increased trade for the benefit of the economy.

Rate of costs

2.5

In recent years, Energinet.dk has reduced its operating expenses from 4.2% of plant value in 2010 to 2.5% in 2013. The goal is 2% in 2020.

See also the complete overview of key ratios on pages 137-138.

Energinet.dk's value creation

Danes' electricity consumption on 12 November

Energinet.dk creates value in Danish society by operating the electricity and gas systems efficiently, and by helping to ensure that the green transition of the energy system is affordable for Danish society.

Unlike a listed enterprise, Energinet.dk cannot document its value creation through the bottom line in the annual accounts or through the development in its share price. Energinet.dk is managed according to a break-even principle, and value is therefore created in society. Against this background, in the annual report for 2013, Energinet.dk has decided to start with five chapters that focus on its tasks and work in the past year. These are followed by the statutory parts of the annual report.

The theme for the first chapter is Energinet.dk's focus on further improving the efficiency of the electricity and gas systems.

Security of supply is Energinet.dk's core activity and provides the basis for a well-run, modern society. Through maintaining an outstandingly high security of supply, Energinet.dk makes a significant contribution to the Danish economy. This is the theme of the second chapter.

International trade with electricity and gas contributes to the prosperity of society. Energinet.dk therefore creates value through its investments in Danish and transnational infrastructure, which in turn facilitates increased energy trade. This is the theme of the third chapter.

Energinet.dk's contribution to developing the framework for the retail and wholesale electricity and gas markets thereby helps to create value for both electricity and gas consumers as well as for electricity and gas producers. This is the theme of the fourth chapter.

Finally, the fifth chapter focuses on Energinet.dk's work with planning and developing the green energy system of the future.

Efficiency and value creation must go hand in hand

Danes' electricity consumption on 12 November

In recent years, Energinet.dk has focused in particular on streamlining the operation of the electricity and gas systems. This has led to a marked reduction in operating expenses, and in 2013 an independent analysis documented that Energinet.dk has improved its efficiency and now ranks among the best European electricity transmission companies, also in relation to cost-effectiveness.

With a score of 100% – the highest possible – the European e3GRID2012 benchmark placed Energinet.dk in the European elite in terms of efficiency. The benchmark compares 21 transmission system operators (TSOs) in the electricity sector from sixteen countries. The analysis was commissioned by the European energy regulators' organisation CEER and prepared by three independent firms of consultants. Eight TSOs were awarded top marks of 100%. The average efficiency score was 86%.

Energinet.dk's position is the result of targeted and sustained efforts. The efficiency measures which have been implemented in recent years, including annual operating savings of over DKK 100 million, have meant that, from lying below average in a benchmarking exercise in 2009, Energinet.dk now ranks among the best. Energinet.dk's ambition and outlook for the coming years is to be able to maintain this new position.It is also the enterprise's ambition to streamline its operations further without compromising on its goal of increasing value for society for the benefit of both consumers and producers.

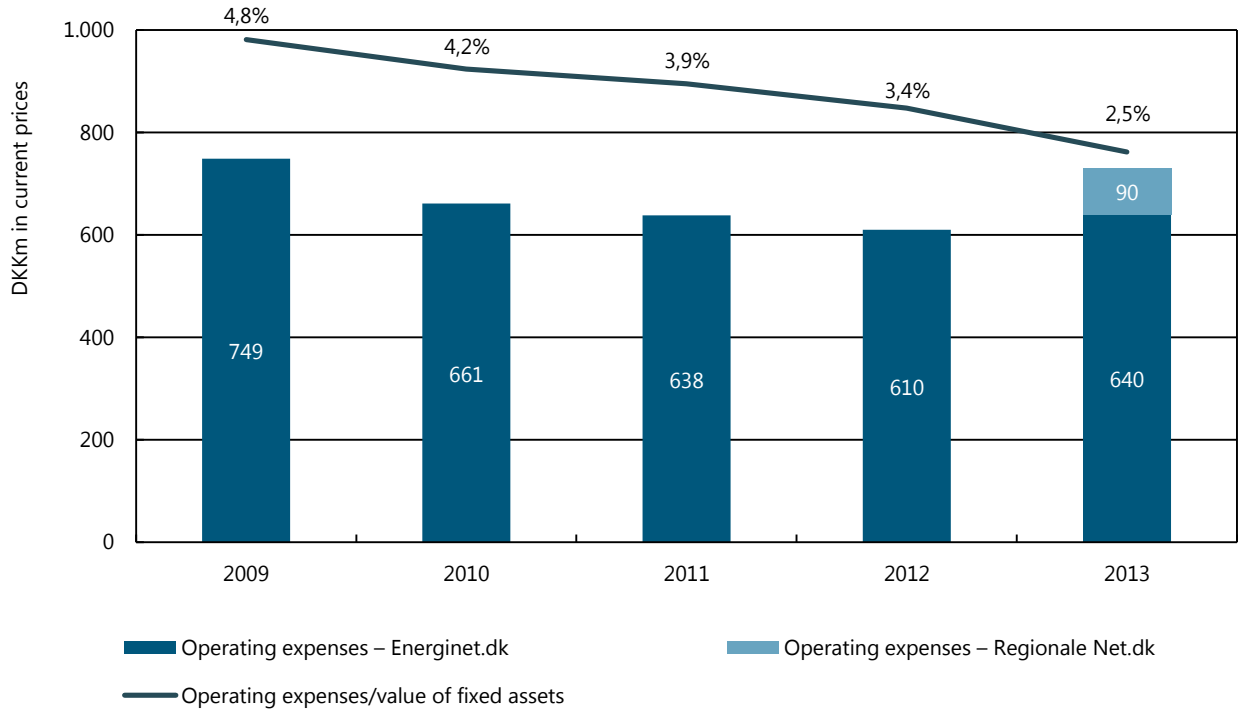
Energinet.dk also participates in a voluntary, international benchmarking survey within the gas transmission area, GTBI, to continually assess the efficiency of its gas activities. In the latest survey in 2012, Energinet.dk was placed amongst the best companies.

Economies of scale after taking over regional networks

One characteristic of Energinet.dk is that its non-current assets constitute a significant item on the balance sheet. After taking over the regional transmission grids in 2012, the value of the non-current assets increased by DKK 7.5 billion, and the combined value of the enterprise's assets now totals approx. DKK 30 billion. Efficient asset management is therefore a key focus area for Energinet.dk.

The enterprise's efficiency is calculated as operating expenses relative to the book value of the plants. In recent years, Energinet.dk has been able to pursue its goal of reducing its operating expenses from 4.8% of the non-current asset value in 2009 to 2.5% in 2013. In the coming years, the aim is to further reduce operating expenses, among other things through economies of scale in connection with the takeover of the regional transmission grids which is expected to realise efficiency im-

Figure 1: Operating expenses and rate of cost



provements on DKK 275 million a year by 2020. It is expected that the rate of cost will have been reduced to 2% by 2020.

New Asset Management processes

Energinet.dk's asset portfolio has grown markedly in recent years. This has resulted in considerable potential for efficiency improvements, as increased volumes lead to economies of scale in the procurement phase and increased know-how in the construction phase. In 2013, Energinet.dk implemented new Asset Management processes according to the PAS55 standard. The standard is based on a life-cycle perspective and a risk-based approach to portfolio management. With greater focus on the performance and condition of individual components, it provides a better basis for prioritising maintenance and investment decisions.

Streamlined design and calls for tenders

In 2013, the Asset Management system and the growing number of purchases gave cause to refine the procurement functions. By purchasing components for a larger number of projects through Category Management, the aim is to obtain better agreements with suppliers.

A construction project usually entails tasks related to designing and dimensioning cables etc. and entering into dialogue with suppliers on the choice of components. In the years to come, Energinet.dk expects to be able to realise significant economies of scale by processing several construction projects as part of the same development project and call for tenders. This has become easier after more projects are now handled by Energinet.dk.

Reserves and emergency supply

The costs of ancillary services for balancing the power system and of emergency supply services in the gas system have been reduced in recent years. Up until 2015, these costs are expected to be further reduced by DKK 150 million a year.

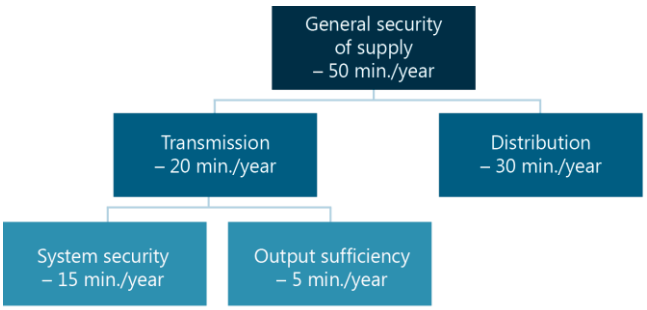
Fewer losses in the power grid save money

Considerable energy is lost in the transmission grid during transport. Energinet.dk aims to cut costs relating to transmission loss by 15% in 2015 compared to the 2010 level. This is expected to generate savings of DKK 50 million a year. The efficient operation of the international connections and more automated control of the electricity transmission grid are expected to account for a large proportion of the savings. The investments in automated control have the shortest payback times when implemented in conjunction with other work. These projects therefore have the highest priority.

Green transition and secure energy supplies must go hand in hand

Danes' electricity consumption on 12 November

Figur 2: Goal for security of electricity supply



Number of minutes without power per year should be considered as an average over several years.

Even though a growing proportion of electricity production relies on the wind and weather and North Sea gas production is declining, it is imperative that there is always power in the electrical sockets and gas in the taps – now, tomorrow and on that clear and frosty evening in February 2020 when energy consumption peaks and electricity generation from wind turbines is limited. This is Energinet.dk's promise to Danish society.

Security of supply is Energinet.dk's core task. This is literally what keeps the enterprise's employees awake at night to ensure supplies to Danish society – now, tomorrow and in the years to come.

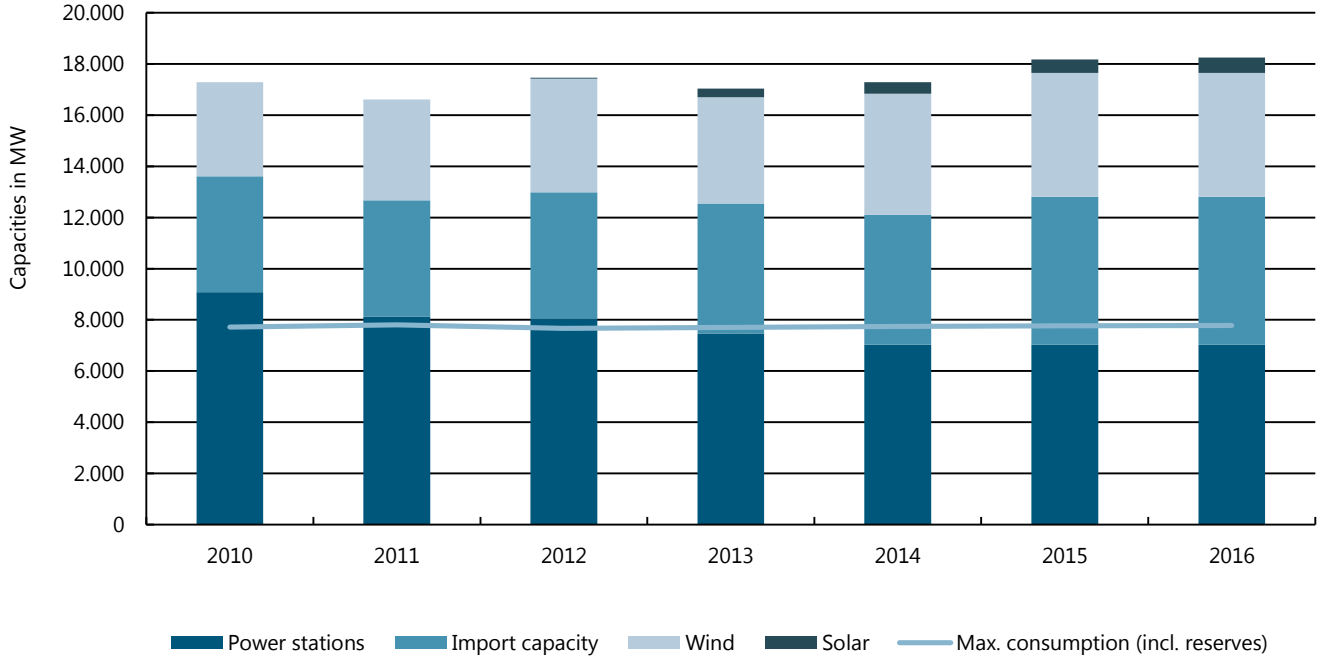
Energinet.dk has a clear goal: Danish households and businesses must on average only go without power for 50 minutes a year measured over a number of years. Of the 50 minutes, max. 30 minutes may stem from faults in the distribution grid, max. 15 minutes may stem from faults in the transmission grid, while max. 5 minutes may stem from inadequate capacity in the electricity transmission system. This goal also applies in 2020 when wind power – which obviously fluctuates greatly – will be covering what corresponds to half of Denmark's electricity consumption relative to 33.2% in 2013, and when there are fewer power stations to step in when the wind fades than there are today. At the same time, households and businesses which use gas must be able to count on there being gas for their boilers, cookers and production processes, even once gas from the Danish gas fields in the North sea starts to run out. In other words, the green transition must go hand in hand with what is, in a European context, a very high security of supply in Denmark. At the same time, it is necessary to achieve this goal without unnecessary additional expenses for Danish society.

Denmark in the top three

The number and duration of power cuts as a result of the two severe storms in 2013 was limited compared to the storm in 1999. Most of the outages were due to faults in the distribution grids, but during the storm in October, a fault in Energinet.dk's grid caused two slightly more extensive but short outages.

The two storms are unlikely to affect Denmark's leading position in Europe in relation to security of supply. In the 2002-2012 period, Danish electricity consumers were without power for an average of 45 minutes a year. In other words, there was power in the sockets for 99.991% of the time. Denmark thus ranks top together with Germany and the Netherlands in relation to the security of electricity supply. Of the 45 minutes, 35 minutes were due to faults in the distribution grids (under 100 kV), while the remaining 10 minutes can be attributed to

Figure 3: Danish power balance 2010-2016



faults in the transmission grids (above 100 kV) which Energinet.dk owns and operates.

Denmark relies on its neighbours

Being responsible for the security of electricity supply entails, among other things, that Energinet.dk must ensure sufficient capacity in the power system, even on calm and frosty winter's evenings when electricity consumption is high and wind power generation is low.

The existing power system comprises sufficient production capacity and strong international connections to maintain the current high level of security of supply. In 2013, Denmark crossed a symbolic line, as Danish power station capacity is no longer sufficient to cover electricity consumption in situations with very high electricity consumption and dead calm wind conditions. Wind turbines and photovoltaic cells are not included, as their generation is weather-dependent, see figure 3.

In recent years, the power stations' operating economies have been challenged by falling wholesale prices for electricity in Scandinavia and in Germany. This has led to several power stations being taken out of operation, which means that they can only be restarted after lengthy preparations. Consequently, Denmark is now dependent on importing electricity in certain situations.

Energinet.dk does not believe that this in itself is a problem. However, to maintain an adequate security of supply, it is necessary to have the right ratio between domestic production capacity, international connections and flexible electricity consumption and electricity generation. Energinet.dk is therefore working to ensure economic incentives to maintain the desired production system capacity and flexibility in electricity consumption. (Read more in the section 'Efficient markets to drive the green transition' on page 26). At the same time, it is vital that neither Eastern nor Western Denmark become dependent on imports from a single neighbouring country. Energinet.dk therefore wants interconnections to several neighbouring countries from each of the two parts of the country. (Read more in the section 'International connections support economic sustainability' on page 20**Fejl! Bogmærke er ikke defineret.**).

The dependence on other countries means it is necessary to keep a close eye on the development in the power balance in neighbouring countries, as this reflects the relationship between maximum electricity consumption including reserves and power station capacity. Against this background, Energinet.dk is continually assessing developments through the TSOs' joint European organisation ENTSO-E and together with the TSOs in the individual neighbouring countries. In future years, a power

balance surplus is expected in the region around Denmark.

Bigger market – cheaper security of supply

As regards the tools which Energinet.dk buys to maintain security of supply at all times, the international market is playing an increasingly important role. In 2011, Energinet.dk drew up a strategy for ancillary services, the term which describes the tools that are used to balance the power system, handle system disturbances and safeguard the quality of the electricity.

A key aspect of the strategy is to develop international markets for the services to ensure cost-effective procurement, while at the same time giving Danish players the opportunity to sell ancillary services in a bigger market.

Energinet.dk is well on its way to realising the initiatives in the strategy. Together with the TSO in Sweden, Energinet.dk has established a joint market for certain types of reserves, and in 2014 a similar market is expected to be established for Denmark, Germany, the Netherlands and Switzerland. Joint Nordic and European markets have also been formed for other types of ancillary services, and Energinet.dk has taken steps to ensure that the development of bigger markets for ancillary services continues.

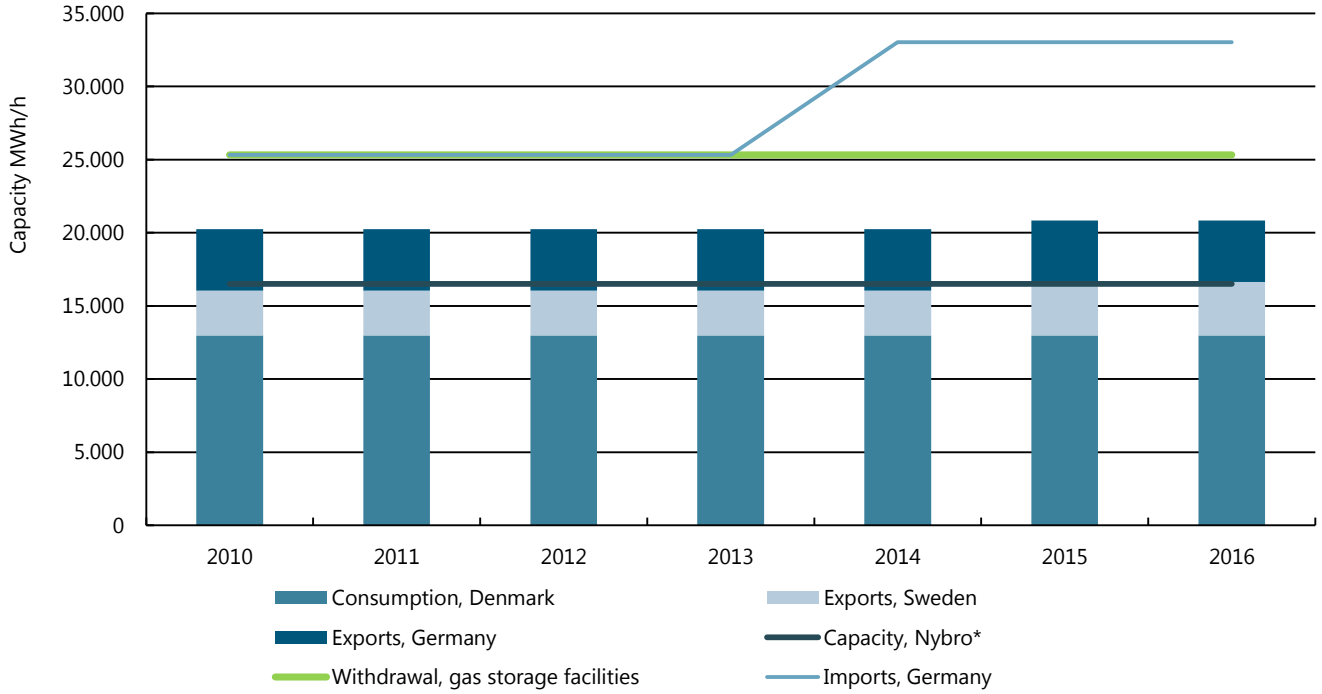
Solar cells in the spotlight

In the past couple of years, many Danish roofs have been fitted with solar cells. By the end of 2013, almost 89,000 solar cell plants had been installed, corresponding to almost 560 MW. Even though solar cells still account for a small proportion of Denmark's production capacity, on a sunny summer's day with relatively low electricity consumption they can meet much of the demand. This was clear when, on 13 July at one o'clock, solar cells generated what corresponded to 13% of total electricity consumption. This contributed to Energinet.dk introducing a forecast for solar cell electricity generation based on weather forecasts and meter data. The forecast minimises the need to use expensive tools for regulating balance in the power system.

Cooperation promotes security of supply

It is not just in Denmark that the power system needs to be able to handle much more wind power and thus much greater fluctuations in electricity generation. Denmark's neighbours to the south are facing the same challenges. And as European countries are closely connected by strong cables and power lines, faults in one country's power system can have a big impact elsewhere. This is one of the reasons why Denmark has been working closely with its Nordic neighbours for many years and is

Figure 4: Danish gas transmission system 2010-2016



* Capacity at the Nybro terminal is considerably higher than the gas volumes that can currently be supplied from the North Sea.

still developing this cooperation on the management of the power systems in Scandinavia. In 2013, Energinet.dk also joined the European 'TSC' – the Transmission System Operator Security Cooperation. TSC reinforces the monitoring of the interconnected power systems and thereby security of electricity supplies, while responsibility for operating the power systems still remains with the individual TSOs. The cooperation is expected to be similar in scope to the Nordic cooperation, and that it will thus help to create a sound basis for security of supply in tomorrow's renewable energy-based power system.

New plants support power system

Security of supply in the power system also assumes that there are plants which can deliver the properties required to maintain power system stability.

Traditionally, the power stations deliver these services, but with fewer power stations and fewer operating hours from the remaining power stations, Energinet.dk has calculated that it is socio-economically cheaper to install components that can regulate the voltage than to pay the power stations to run when there is no need for energy. Against this background, Energinet.dk has purchased three so-called synchronous condensers, which are being installed before the end of 2014. The condensers are estimated to give annual net savings for the economy of DKK 11 million in their lifetime.

New gas pipelines secure gas supplies

"Today, we are not only building a bridge to the European gas market. We are also building a bridge to a greener future," said the then Minister for Climate, Energy and Building, Martin Lidegaard, when, in autumn 2013, he officially inaugurated Energinet.dk's compressor station in Egtved and the new gas pipeline between Egtved and Ellund near the Danish-German border.

The expansion enables Denmark to receive larger volumes of gas, not just from Germany, but also from Norway, Russia and a number of other countries. This ensures stable and competitive supplies for Danish gas customers as gas production from the North Sea starts to decline. In the longer term, the pipeline can also be used to transport biogas and other green gases and thereby contribute to the green transition.

However, the expansion cannot be fully utilised until after 2015 when the expansion of the North German system is commissioned. The supply situation is therefore expected to be tight in 2014 and 2015. However, Energinet.dk expects the existing increased options for physical supplies from Germany combined with supplies from the Danish gas storage facilities to be adequate to handle the strained supply situations for Denmark and Sweden that must be expected during the period.

READ MORE

Hurricane tested power system

Even though the hurricane on 28 October 2013 and the storm on 5 December led to extreme fluctuations in wind power generation, Energinet.dk successfully steered the power systems through the storms without extensive power cuts. However, the hurricane came close to causing problems for the power system on Zealand.

Two things are certain when a hurricane hits Denmark: As a hurricane approaches, wind power generation will increase to a level which is way above average. Next, there is a risk that wind power generation plunges in the space of a short time, because as wind speeds approach approx. 25 metres/second, the wind turbines stop operating for safety reasons. Even though the wind is by no means uniform across Denmark, stormy weather produces violent fluctuations in electricity generation in a power system with such a high share of wind power as the Danish system.

Such fluctuations can be predicted to a certain extent, so Energinet.dk was able to reorganise power system operations before the arrival of both storms. The large power stations and the international connections were brought to a safe operating level so it was possible to increase and decrease production and power interchange in step with the sharp fluctuations in wind power generation. Nevertheless, the hurricane gave rise to problems.

On Funen, a small, local power cut meant that electricity supplies to Energinet.dk's converter station near Odense were interrupted. This in turn disabled the Great Belt Power Link, which was sending wind power generation to Zealand. About 45 minutes later, the outage of a 132 kV line in northern Zealand meant that the interconnection between Zealand and Germany was out, stopping imports from the south. With the shortfall in electricity imports from Western Denmark and Germany, it could well have been critical for electricity supplies on Zealand because it was not possible to fill the hole by ramping up production at the Zealand power stations. There was thus a risk of a power shortage, as it is called, when the balance between electricity generation and imports on the one hand and electricity consumption and the prescribed safety margin on the other cannot be maintained. This was why Energinet.dk informed the grid companies on Zealand that it might be necessary to reduce electricity consumption by disconnecting some of their customers on Zealand. However, Energinet.dk's technicians managed to restore the Great Belt Power Link so that it was again possible to send power to Zealand. In so doing, the risk of a power shortage on Zealand blew over.

READ MORE

Cold spring caused problems

There was a risk on two occasions in spring 2013 that Energinet.dk had to apply the brakes and shut down supplies to the biggest gas consumers in order to maintain supplies to households, hospitals and small businesses which had no other alternatives to gas.

On 18 March 2013, it was necessary for Energinet.dk – for the first time in the history of the natural gas system – to issue a so-called Early Warning to the gas market to signal that the Danish gas market was approaching a critical level. Unseasonally cold weather and thus high gas consumption had drained the gas storage facilities. At the same time, supplies from the Danish part of the North Sea were slightly lower than expected. Furthermore, the cold weather and the unusually high gas consumption were expected to continue. Thus, there was a risk that the gas storage facilities would be empty by April 2013. Fortunately, players on the gas market registered the signals, and when supplies from the North Sea started to rise again it was possible to withdraw the warning.

However, by the end of April there were problems again. On 27 April, Mærsk Oil & Gas, which is responsible for 90% of total Danish gas production, announced that they expected to suspend production on the Tyra platform for six days due to repair work. The following day, the Stenlille gas storage facility reported that it would not be possible to source gas from the storage facility for three to four days due to technical problems. Following the critical month of March, the gas storage facilities were almost fully depleted, and Energinet.dk had no other option but to issue another Early Warning on 29 April. Capacity at the gas storage facility was fully restored according to plan, but on the Tyra platform complications arose which meant that gas supplies from the North Sea were interrupted for ten days. Gas stocks at the storage facilities fell close to the level of reserves which Energinet.dk is obliged to maintain, and Energinet.dk considered a more severe warning. However, supplies from the North Sea were successfully normalised, and after several days the warning was cancelled.

No gas customers have queried the validity of Energinet.dk's assessment of the supply situation, but several major customers said they wanted more information on the emergency supply scheme which is designed to safeguard supplies in crisis situations. Consequently, Energinet.dk has established a meeting forum for all enterprises with a high level of gas consumption. Moreover, efforts are being made to continually improve the feed of information to large gas customers.

Interconnectors contribute to economic sustainability

International connections to neighbouring countries – and thus the possibility of trading electricity across national boundaries – constitute an important precondition for a green transition without unnecessary extra costs for Danish society. Energinet.dk's goal is therefore to establish additional international connections. However, it is an ambitious goal as there are many obstacles which have to be overcome before construction work can commence.

Denmark's first international connection was established in 1915 when what is by current standards a small submarine cable was laid in the Sound between Sweden and Denmark. There was a clear reason for the cable: "The Company of which I am Managing Director has decided that it would be cheaper for us to source our Electricity from Sweden than to generate it ourselves," said the Managing Director of the Danish electricity company to the newspaper *Politiken* (quoted here from *Elektricitetens Århundrede*, volume 1). The cable was intended to supply private homes and businesses in north Zealand with cheap Swedish hydroelectric power and drive industrialisation.

Since then, Denmark has gradually been linked closer and closer to its neighbours with electrical cables and overhead lines – not just to access cheap hydroelectric power but also to be able to sell power to Scandinavia and Germany when Danish-produced power was most competitive. Together, the international connections have contributed to transforming Denmark from an agricultural to an industrial society and now a knowledge society. At the same time, they have helped to ensure that Danish enterprises and citizens have had a very high security of supply.

Trade creates value

Interconnections to our neighbours are a precondition for well-functioning electricity markets, and they help to ensure that the green transition is not unduly expensive. In other words, the international electricity trade means that enterprises and households are supplied with power at competitive prices while simultaneously ensuring that electricity generators obtain the highest possible price for their product. The international connections thus help to prevent wind power being sold at very low prices when it is readily available while ensuring security of supply when wind power is in short supply.

When Energinet.dk decides to build new international connections, it does so based on calculations of the socio-economic benefits which can be reaped during the lifetime of the connections. Moreover, Energinet.dk is seeking to be able to estimate the actual benefit of the international connections based on a range of indicators.

EU support for four Danish international connections

To ensure that the green transition is economically sustainable, Energinet.dk's goal is to construct several new international connections before 2020.

In 2013, Energinet.dk received the support of the EU for four such international connections. This happened in connection with the European Commission's selection of approx. 250 prioritised infrastructure projects – the so-called PCI projects (Projects of Common Interest) – which will bring Europe closer together in the areas of gas and electricity. The PCI projects are crucial to the integration of the European energy system and are given a number of special rights which are designed to ensure fast and efficient implementation. In addition, the PCI projects can apply for economic support via a new EU support mechanism.

The international connections which involve Denmark pass between Zealand and Germany and between Jutland and the Netherlands. In addition, two connections between Jutland and Germany are included on the list. These involve upgrading two existing connections on the eastern side of the border and a new connection on the western side. While the upgrade of the eastern connection can be ready in 2019, the new connection on the west coast is expected to be operational in 2022. To realise the two projects, the power grid in northern Germany has to be expanded. Energinet.dk is therefore working with the German TSO, TenneT TSO GmbH, to assess the plans for expanding the internal power grid in Germany.

Offshore wind farm combined with international connection

Together with the German TSO 50 Hertz Transmission GmbH, Energinet.dk is working to establish an interconnection between Zealand and Germany. The aim is to build a facility which connects future offshore wind turbines to the power grid and functions as an interconnection between the two countries.The primary purpose of the cables to Denmark is to transfer power from the Danish offshore wind turbines, but in those periods when the wind turbines are completely or partially still, the surplus capacity on the interconnection is made available to the market. The grid connection must be ready in 2018.

The EU has granted DKK 1.1 billion to the project from the European Energy Programme for Recovery.

Renewal of cable to Sweden

To ensure that the existing transmission capacity between Eastern Denmark and Sweden can be maintained, Energinet.dk and E.ON Sverige AB have started working

Benefits of interconnector

together to replace the more than 50-year-old 132 kV cables in the Sound. Originally, Energinet.dk wanted to install a new 400 kV connection between Amager and Malmö to replace the worn-out 132 kV cables at the northern end of the Sound. The plan was to operate the connection as a 132 kV cable until a possible expansion of the Swedish power grid was realised. However, this plan had to be shelved as Svenska Kraftnät was unable to approve the investment.

Nearer the goal

At the end of 2013, Energinet.dk and the Dutch TSO TenneT TSO B.V decided to build a 700 MW cable between the Netherlands and Western Denmark. The project has been awarded DKK 650 million from the EU's 'European Energy Programme for Recovery'.

The cable will provide solid socio-economic benefits for both Denmark and the Netherlands. In Denmark, the Danish electricity producers gain better access to the Continental European market, where electricity prices are generally higher than in Denmark. On the other hand, the cable connection means that Danish consumers will see higher electricity bills. It is estimated that the socio-economic value of the improved sales opportunities exceeds the disadvantages which consumers face in the form of higher electricity prices.

Energinet.dk's assessment of how beneficial an international connection is for society includes, in particular, the net benefit for electricity consumers or electricity generators, congestion rent and the value of the connection for the security of supply. If these benefits are bigger than the costs of investing in and operating the interconnection, a socio-economic benefit exists.

Consumers on the market with the highest costs for power generation will experience a fall in electricity prices which is greater than the fall in earnings which the electricity producers will experience. The opposite is true for markets with low production costs.

Assuming that the investment is approved by the national authorities in the Netherlands and Denmark, the cable is expected to be operational in 2019.

Cable to England high on the wish list

England is another country which Energinet.dk would like to forge closer links to through the laying of a submarine cable across the North Sea. Like Denmark, the UK expects to see a growing need for electricity capacity from other countries as a result of expansion with renewable energy and the fall in the number of conventional power sta-

tions. Provisional analyses show that connecting the two countries will yield socio-economic benefits. The initiative came a step further when Energinet.dk and the UK TSO, the National Grid, signed a cooperation agreement in autumn 2013. The agreement builds further on a statement of intent from May 2012 which involves a joint steering committee examining the potential for the joint interconnection. However, it remains very uncertain whether the cable can actually be realised, as it will require changes to the regulations governing the National Grid.

New lane for electricity motorway in Jutland

Powerful international connections do not in themselves guarantee unrestricted trade. Expanding the internal power grids in Europe is another requirement for increased international trade. It is for this reason that Energinet.dk is busy reinforcing the backbone of the power grid in Jutland between Kassø near the German border and Tjele near Viborg to almost triple its capacity relative to the existing line. The new line will also allow the connection of more offshore wind farms as well as the restructuring activities which are necessary in the lower-voltage power grid. At the end of 2013, two thirds of the 180 km long section had been commissioned as planned, while the remaining part of the new transmission lines will be commissioned in 2014.

Internal congestion limits benefits

While the internal Danish power grid is thus soon ready for new international connections, Energinet.dk is very concerned at the lack of grid expansion in neighbouring countries, particularly in northern Germany, where congestion is impacting the capacity available for cross-border trade to Denmark. The congestion significantly reduces the positive benefits for society of the Danish-German interconnections. Energinet.dk is therefore looking forward to when Germany starts to realise the grid expansion plan which it published in 2012.

Import capacity on Denmark's next international connection – Skagerrak 4 between Jutland and Norway, which will be put into service at the end of 2014 – will also be limited in certain situations as a result of internal grid congestion in Norway. Energinet.dk is working with Statnett to find the most suitable way of handling the constraints in order to minimise the adverse effect on the market.

READ MORE

Value for society or owner

The different ways in which the finances of the European TSOs are regulated is one of the factors hampering the realisation of the international connections.

Energinet.dk's target of 2,000 MW of new international connections between now and 2020 is extremely ambitious, because it takes a long time from when the parties meet for the first time until they are able to make an investment decision and commence construction.

One of the main reasons for this protracted process is that it is very difficult to predict how a 30-year investment will pay for itself. How will the energy policies evolve, how many wind turbines and power stations will be built, how much precipitation will fall in Scandinavia, how will the market for electrical components develop and how many other international connections will be established in the region? – to mention just a few of the factors that determine the economic benefits of a cable between two countries in its lifetime.

Moreover, a special challenge is associated with electric international connections. The European TSOs are subject to very different regulations. While Energinet.dk is subject to a break-even principle, several TSOs in neighbouring countries are to a lesser or greater extent commercial enterprises which are taking a financial risk and which are expected to generate a profit for their owners, be it the state or private investors.

When Energinet.dk prepares a business case for an international connection, the resulting socio-economic benefit is the sole decisive factor.

These regulatory differences are a serious impediment for the development of the European energy market, and that is the reason why, in 2012, the Danish Minister for Climate, Energy and Building took the initiative to start a North European Energy Dialogue called NEED. The purpose of the dialogue is to reduce the barriers constituted by the regulatory differences between the various countries. Ministers and civil servants from several north European countries take part in the dialogue.

Efficient markets to drive green transition

Well-functioning markets for electricity and gas are one of the most important keys to an affordable green transition. One of Energinet.dk's areas of responsibility is therefore to ensure the continued development of both the wholesale markets for the professional players and the retail markets for consumers. In commissioning the DataHub in 2013, the foundation stone for a more well-functioning retail electricity market was laid. However, there is still some way to go before it is possible to reap the considerable socio-economic benefits inherent in this market.

For the past 10 years now, it has been possible for Danish electricity consumers to change electricity suppliers as they wish. Nevertheless, there is still some way to go before we see the same dynamics on the electricity market as on the telecom market.

The Danish Competition Authority concluded that this lack of dynamism is very damaging for society. In the short term, we are losing out on potential socio-economic benefits of DKK 440 million a year, and in the longer term the loss is even greater. It is for this reason that, in 2013, the electricity regulation committee (*Elreguleringsudvalget*) proposed a number of recommendations for changing the regulation of the retail market, including the phasing-out of the universal service obligation.

DataHub ensures simple change of supplier

In 2013, an important step was taken towards increased competition on the retail market. Together with players in the electricity industry, in March Energinet.dk presented the electricity market's new DataHub, which gathers all information about customers' electricity consumption at an independent site. The DataHub makes it easier for customers to switch electricity supplier and easier for suppliers to create new and better products which are tailored to customers. The aim is thus to create transparency and to lower the barriers on the Danish retail market, while simultaneously laying the foundations for consumers to benefit from the budding Smart Grid technologies.

The DataHub is a complex system handling huge volumes of data, which must interact with the other players on the Danish electricity market – a total of 130 electricity trading companies and power grid companies. The DataHub's functionality has basically lived up to expectations, although there were teething problems at the outset. Viewed in relation to the size and complexity of the system, however, the problems have not been bigger than could reasonably have been expected.

Energinet.dk is also working to establish retail markets across national boundaries. In 2013, the Norwegian enterprise Statnett and Energinet.dk started collaborating on exploring the possibility of a joint Norwegian-Danish DataHub.

One single electricity bill

The further development of the retail market goes via the so-called wholesale model which must ensure that customers who change suppliers only receive a single bill. With the current market model, consumers who change electricity suppliers receive a bill from the electricity supplier and from the grid company. With the wholesale model, the consumer must settle with the electricity supplier, who also collects grid and system tariffs for the grid companies and Energinet.dk. The model is similar to the one we know from the telecom industry, where consumers deal only with their telecom suppliers and do not have to worry about the telecom network.

The wholesale model means that the electricity suppliers become the key players on the market in relation to consumers. The wholesale model is expected to provide electricity suppliers with more of an incentive to compete for customers, eventually leading to savings for consumers.

The original deadline for introducing the wholesale model was October 2014, but the task of implementing the model is proving more complex than first envisaged. Based on an analysis conducted by the Danish Energy Agency, the Danish Energy Association and Energinet.dk, the Danish Minister for Climate, Energy and Building therefore decided in consultation with the parties to the agreement to introduce a bill postponing the implementation of the wholesale model until October 2015. Any changes to the regulation of the universal service obligation will also take effect from this time.

Hourly settlement for greater flexibility

Today, large electricity consumers are billed on an hourly basis, giving them an incentive to plan their consumption according to variations in the electricity price. A simple hourly-based settlement model is required to give small-scale consumers the same option. For this reason, Energinet.dk and the Danish Energy Association have drawn up a proposal for what is known as a third settlement group (flex-settlement), where the aim is authentic hourly settlement for small and medium-scale consumers. However, flex-settlement is not scheduled to come into effect until after the introduction of the wholesale model. Hourly settlement is the basis for flexible consumption, which can help to balance consumption and production in tomorrow's energy supply system where a

bigger proportion of the power comes from fluctuating energy sources.

Market model under pressure

On the wholesale market for electricity, harmonisation of the European energy markets and the growing volumes of fluctuating solar and wind energy in the power system are creating a need for a new market model and revised business models for the electricity market's players. In the longer term, it will be difficult for the current business model to secure sufficient economic incentives to maintain the desired infrastructure capacity and flexibility. The Danish power stations are thus under a growing pressure as a result of the competition from wind turbines with very low marginal costs.

In 2013, these factors gave rise to a debate on the Danish power balance. The debate draws attention to the important political decisions that need to be made in the coming years, both in Denmark and Europe. Energinet.dk will explore the possibility of introducing new market elements which can create longer-term incentives for securing sufficient output – either in the form of production capacity or flexible, interruptible electricity consumption. Energinet.dk has therefore started a dialogue with the market players on the possibilities for developing new market models.

For Energinet.dk, it is crucial that mechanisms for ensuring sufficient capacity support long-term developments and the cross-border coordination and flexibility required by the green transition. In the view of Energinet.dk, the challenges must be solved with a strong European infrastructure and suitable market models.

In 2013, with the election of its President and CEO Peder Ø. Andreasen to the Board of Directors of ENTSO-E and with Vice President Torben Brabo on the Board of Directors of ENTSOG – the TSOs' European network for gas – Energinet.dk chose to commit itself further to the development of the European cooperation.

Price coupling ensures optimum energy utilisation

Market coupling projects have been initiated both for the day-ahead market and for the intraday market in north-western Europe. Together with the TSOs and power exchanges in north-western Europe, in 2013 Energinet.dk developed a model for price coupling from Finland in the north to France in the south which, for the day-ahead market, has been implemented in February 2014. In launching the price-coupling project, Energinet.dk expects to be able to secure the optimum interchange of energy across price areas. The project is yet another milestone towards strengthened European cooperation.

What is special about price coupling is that only one price calculation is necessary for all of Europe. Price coupling ensures socio-economically correct interchanges on the international connections and reduces the risk of miscalculations.

The price coupling projects have faced considerable challenges. Coupling on the intraday market has met the biggest resistance, attributable in part to conflicting commercial interests among the participating exchanges. Therefore, selecting a supplier of the system for coupling the markets has been one of the biggest challenges. Another key element in European market integration is the preparation of binding European network codes in the area of gas and electricity. In the gas area, two new sets of codes have already been implemented, and two more are on the way. For the electricity market, the process of preparing new network codes is well under way, and in 2013 the first regulations were making their way through the decision-making process in the EU that will turn them into binding European legislation. The first network code which is expected to be adopted lays down rules for fixing transmission capacity between the countries for the day-ahead and intraday markets.

Energinet.dk is participating both in the development of network codes through ENTSO-E and ENTSOG and in the communication of these to Danish market players.

Physical transmission rights

Energinet.dk and the German TSO TenneT TSO GmbH currently offer physical transmission rights in the form of annual and monthly capacity on the connections between Western Denmark and Germany. In partnership with the TSO in north-eastern Germany, 50Hertz Transmission GmbH, on 1 January 2014 Energinet.dk introduced physical transmission rights on the connection between Eastern Denmark and Germany. The initiative is expected to improve the market participants' hedging opportunities in Eastern Denmark, in that – in the same way as in Western Denmark – it will allow use of the German financial market for hedging in Denmark. Energinet.dk has also launched an approval process with the Danish Energy Regulatory Authority concerning a pilot project involving physical transmission rights on the Great Belt Power Link.

The transmission rights are sold through the CASC EU (Capacity Allocation Service Company) auction house. On 1 October 2013, Energinet.dk became a joint owner of the enterprise together with a large number of other TSOs.

Another good year for gas exchange

The Danish gas market was previously characterised by a few large players and high access barriers for potential new players. Energinet.dk's role as a TSO has traditionally

guaranteed stable gas supplies. However, in recent years, Energinet.dk's role has increasingly developed into that of a market facilitator which ensures optimum trading conditions for the market players.

In 2013, the Gaspoint Nordic exchange, formerly Nord Pool Gas, had another good year with growth in revenue of approx. 20%, which follows the marked growth of 72% in 2012.

The aim is that Gaspoint Nordic will maintain and develop its position as the focal point for gas trade and market development in Scandinavia. The goal is to enhance competition and transparency in a closed gas market, which for decades has been characterised by long-term supply agreements and complex price formulas.

Energinet.dk owns the gas exchange, and sees it as an important tool for strengthening competition on the gas market.

The number of shippers registered with Energinet.dk continues to increase. Energinet.dk now has more than 30 registered customers. However, only just over half of the registered customers are active in the market. Several of the newly registered customers are expected to become active within the coming year.

Gas across national borders

In June 2013, Energinet.dk signed an agreement with the German enterprise Open Grid Europe which enables the purchase of 'bundled capacity', and thereby the possibility of sending gas from Denmark to Germany and from Germany to Denmark without having to make two transmission agreements – one on each side of the border. The agreement is fully in line with EU wishes to create a more open cross-border market for gas.

Energinet.dk already had a similar agreement with another German enterprise, Gasunie Deutschland. Thus, there is now a Danish agreement with both German gas TSOs.
In 2012, Energinet.dk and eighteen other European TSOs formed the enterprise PRISMA European Capacity Platform. The idea was to make it easier for the gas to flow across European borders. PRISMA offers capacity via auctions, and sells gas pipeline capacity to the highest bidders. With the possibility of purchasing bundled capacity, gas is able to flow freely across considerable distances and national borders.

Integration difficult but necessary

Danes' electricity consumption on 12 November

In 2013, Energinet.dk contributed to important national analyses which will pave the way for tomorrow's energy system. At the same time, demonstration projects are ready to be tested in the real world. Integrating electricity, gas, heating and transport is key to the future security of supply, but it is difficult and associated with considerable uncertainty. Technologies which have not yet been discovered or tested, and many outside factors determine how, how quickly and at what price new renewable energy sources can be introduced.

Researchers, engineers and others working with hydrogen, biogas and wave energy are eager to find out what tomorrow's energy system should look like. Some of the solutions are already familiar to us while others have yet to be invented and tested. But how do we know whether we will achieve the goals outlined by the Folketing and become independent of fossil fuels by 2050? How do we know whether we can maintain the security of supply when we don't know where it is going to end? How can we be certain that research and demonstration projects will identify the solutions we need in almost 40 years' time – and that the solutions will be sufficiently robust and commercially feasible?

In 1976, Denmark considered nuclear power

Thirty-seven years ago, Denmark also looked far into the future. In 1976, Denmark's first official energy plan was published, and back then it was predicted, among other things, that six nuclear power plants would be built in the 1985-1999 period. The best estimate was also that, in 1985, renewable energy would account for 4% of energy consumption.

This obviously begs the question: Were we bad at planning the energy system in 1976? No – in fact we were right in many respects, among other things when it came to the expansion of the nationwide natural gas grid and the many local district heating networks. However, the 37-year-old example shows that it is difficult – and sometimes impossible – to look so far into the future. Technological quantum leaps and relapses happen. The political winds can blow in new directions, and unexpected doors can open.

A few years ago, many people in Denmark, including Energinet.dk, thought that thousands of electric vehicles would by now be driving around on Danish roads, and that they would be helping to make electricity consumption more flexible. It has not happened. On the other hand, no one predicted that private solar cell systems would, in a single year, become so cheap and popular

that they now contribute 2% of Denmark's total electricity consumption.

Integration is crucial

Denmark is in the midst of an upheaval, where we are unable to provide all the answers to tomorrow's challenges. However, while uncertainty still surrounds major and important issues, one thing is clear – integrating the electricity, gas and heating systems will be a crucial element in realising an energy system based on renewable energy.

A particular challenge is posed by the storing of the growing volumes of wind energy. In the period up until 2020, wind energy will almost double, while there will be an almost sixfold increase between now and 2050, so what is the best and cheapest way of storing wind energy for days when the wind is not blowing?

Important analyses about tomorrow's energy system

In 2013, Energinet.dk contributed on two fronts to integrating the energy system of the future.

First, Energinet.dk conducted a number of analyses which help to show how electricity, heating, gas and transport can be integrated as we need more and more renewable energy.

Following the Folketing's Energy Agreement in March 2012, the Danish Energy Agency was asked to analyse and show how the green transition could be realised. The analyses show how Denmark can be fossil-free by 2050.

Up until 2020, the planned doubling of wind energy can be incorporated into the energy system as we know it today provided that the infrastructure is expanded. In the slightly longer term – as oil, coal and natural gas are phased out – it is necessary to think outside the box. Therefore, Energinet.dk has carried out detailed analyses of the consequences of the political objectives for the security of supply and the economy, and shown how the overall energy system might look in 2025, 2035 and 2050.

The costs of realising the 2035 objective, whereby the electricity and heating sector must be based entirely on renewable energy, depend to a great extent on the speed with which the rest of the world makes the transition to renewable energy and on the price of biomass. If the price of biomass is high, the costs of realising the 2035 objective will be considerable and vice-versa.

While 2050 is so far into the future that there is ample time before necessary investments have to be made and time for new technologies to be produced and implemented on a widespread basis, the year 2035 is not far

off for many parts of the energy industry. Within the coming years, investments and decisions have to be made regarding the choice of fuel for the green transition to be achievable.

Uncertainty and doubt at power stations

Some of the main power stations are currently experiencing uncertainty and doubt about which path to take. Should they continue and reinvest in the production they have today, or should they innovate – or close? Added to this is the uncertainty about future support for renewable energy and new tax structures, and several people feel that they are standing at a crossroads.
Energinet.dk's analyses show that biomass is a good and practical path to follow, but uncertainty in the industry is increasing the risk that necessary investments will not be made, and that power stations will be taken out of operation.

There is also considerable uncertainty among local CHP plants. However, Energinet.dk's analyses show that there will still be enough local CHP plants in Denmark to maintain the security of supply after the phasing-out of the special power generation subsidies for the CHP plants in 2018.

Gas system an important bridge-builder

Denmark is not the only country where many different parameters are being considered and helping to define the pace of Denmark's transition to more renewable energy and thereby the overall integration that has to take place.

In some fields, the new technologies still need to show that they can replace fossil fuels on a large scale, but quite apart from this, developments in neighbouring countries and in fuel prices will also play a significant role. If the extensive expansion of the German power grid during the next decade is significantly delayed, it will have profound consequences. It will not be possible to export the planned volumes of wind energy, and a higher degree of domestic flexible electricity consumption would be optimal.

The international prices for fossil fuels will change the patterns of consumption, and this may, for example, have consequences for the gas system which is intended as a bridge-builder in the transition to a new energy system. Both natural gas and, in the longer term, RE gases can even out fluctuating production from wind turbines as well as seasonal variations. However, if natural gas ceases to be as competitive as it has been, customers will turn to other energy sources, leaving fewer customers to pay for the gas system.

Concrete demonstration projects ready

Despite greater uncertainty, 2013 was also the year when a large number of concrete demonstration projects moved several steps closer. In its strategy for 2012-2015, Energinet.dk has set goals for demonstrating technology for converting electricity to hydrogen with the help of electrolysis, for demonstrating RE gas for the transport sector, and for demonstrating the production of RE gas.

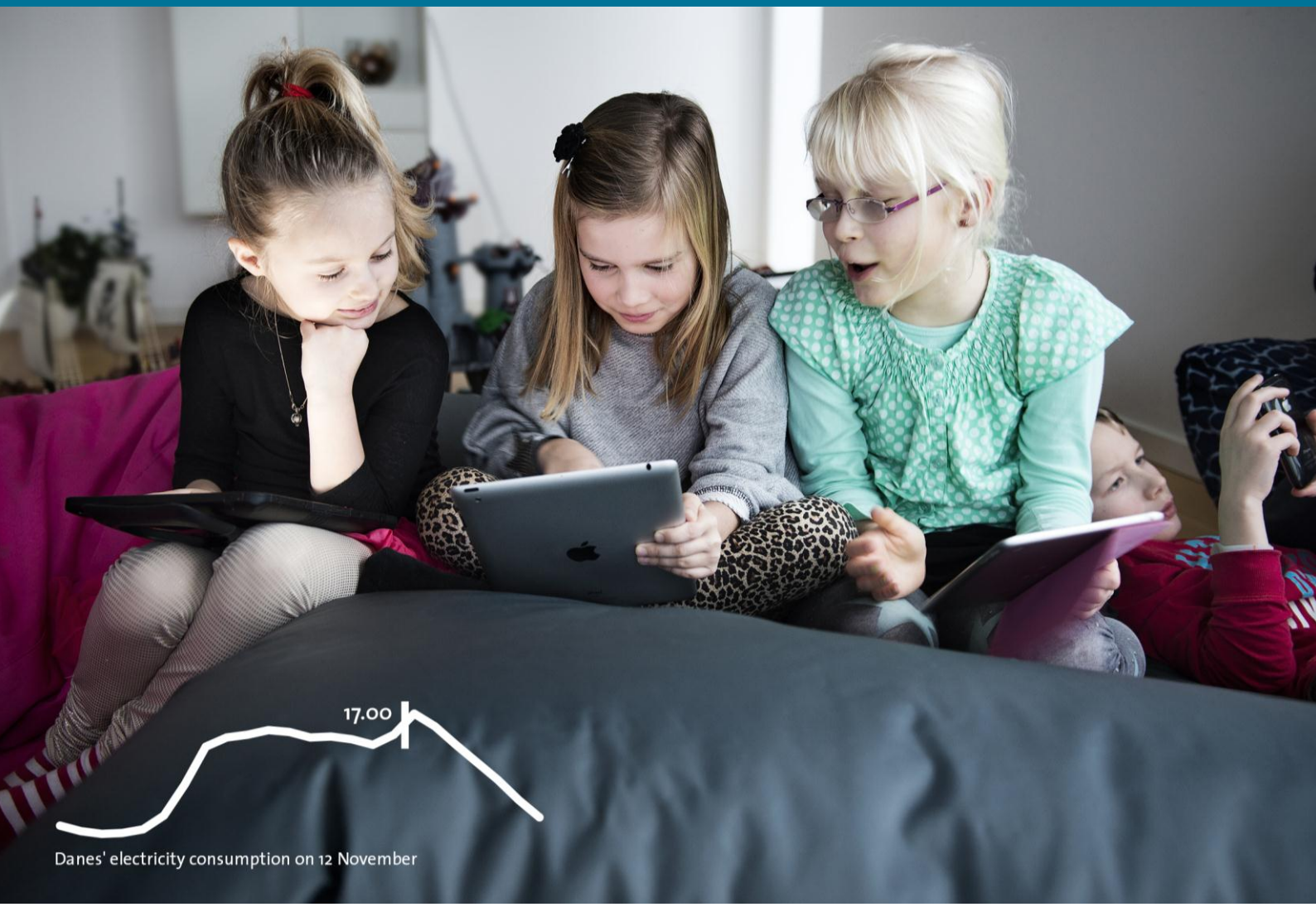
For example, in November Energinet.dk's Supervisory Board approved the strategic Power2Gas project and granted DKK 27.6 million from the ForskEL programme to the enterprise Electrochaea.dk ApS. Since 2011, it has worked closely with Aarhus University's biogas research station in Foulum, and a concrete project will now be implemented at Avedøre Wastewater Services.

In the project, microorganisms will convert hydrogen stemming from electrolysis and CO_2 in biogas from waste-water sludge into methane. The upgraded gas will be piped to HMN Naturgas's network. The so-called P2G BioCat2 project will include a 1 MW electrolysis plant. The plant will be the biggest power-to-gas project so far in Denmark, and demonstrates how an electrolysis plant can contribute to balancing the power system, and how it can also interact with the electricity and gas system.

Other demonstration projects for upgrading gases which integrate energy systems and experiment with electricity storage are also in the pipeline. Moreover, after the EU agreed to support the upgrade of biogas at the end of 2013, more commercial players are expected to send upgraded biogas from agriculture to the gas grid. For example, E.ON in Vojens will construct Denmark's biggest biogas plant – and the first on the transmission grid.

In addition, DONG Energy in Kalundborg on Zealand is in the process of constructing a 60 MW straw gasification plant that will supply gas to the Asnæs Power Station.

Corporate governance



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

Management structure

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

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

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

Management's independence

Energinet.dk is certified as an ownership unbundled transmission system operator (TSO) for electricity and gas pursuant to the new electricity and gas directives which have been implemented in Denmark via the Danish Electricity Supply Act and the Danish Natural Gas Supply Act. The independence requirements apply to Energinet.dk as such as well as to individuals holding managerial posts for Energinet.dk. In this context, the Supervisory Board and the Executive Board have therefore signed solemn declarations guaranteeing their personal independence.

As a result of Energinet.dk taking over the ten regional companies in 2012, in 2013 the Danish Energy Regulatory Authority assessed whether the takeover entails a need for a re-certification. The Danish Energy Regulatory Authority deems that it is not necessary to initiate a new certification procedure.

Supervisory Board

On behalf of the owner, the Supervisory Board lays down the overall strategy and actively contributes to developing the enterprise. The Supervisory Board supervises the Executive Board's decisions and transactions. The Super-

visory Board consists of eleven members, eight of whom are appointed by the Minister for Climate, Energy and Building, while three members are elected by the employees. The employee-elected members of the Supervisory Board, who are elected for four years at a time, have the same rights, obligations and responsibilities as the other Supervisory Board members.

Six Supervisory Board meetings were held in 2013. To ensure that the Supervisory Board is kept sufficiently well-informed of Energinet.dk's operations, the Executive Board participates in board meetings and has the right to speak, but has no voting rights. However, the Executive Board does not participate during the consideration of items on the agenda which are reserved for the Supervisory Board's internal discussions at the meetings.

Supervisory Board's self-evaluation

Since 2009, the Supervisory Board has conducted an annual self-evaluation via anonymous questionnaires with scores on a scale of 1-5. The self-evaluation addresses issues such as the working climate and cooperation on the Supervisory Board, the Supervisory Board's cooperation with the Executive Board, the Supervisory Board's competencies as well as the overall organisation of its work, including the Chairman's efficient chairing of the meetings.

In 2013, the result of the evaluation was an overall score of 4.6, which is on a par with 2012. Every year, the score has been at a very high level.

The competency profile of the Supervisory Board covers the following areas:

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

Energinet.dk's day-to-day management

The Supervisory Board has assigned the responsibility for Energinet.dk's daily operations to the Executive Board, which consists of the President and CEO, Executive Vice President CFO and the Executive Vice President CTO. The Executive Board's responsibilities include the enterprise's organisation and the allocation of resources, the determination and implementation of strategies and policies,

Table 1: Composition of remuneration

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

*) reimbursed according to vouchers submitted

direction and targets as well as timely reporting and information to the Supervisory Board, the owner and Energinet.dk's stakeholders. The Supervisory Board appoints the CEO and the executive vice presidents, decides their remuneration and supervises their performance.

Role of the owner and cooperation with Energinet.dk's Management

The Minister for Climate, Energy and Building meets on a quarterly basis with the Chairman of the Supervisory Board as well as other Supervisory Board members and Executive Board members, as required. Energinet.dk attaches paramount importance to briefing its owner continuously on its current operations and the challenges it is facing.

Stakeholder Forum

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

Remuneration of employees and managers

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

Remuneration of the Executive Board

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

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

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

Remuneration of the Supervisory Board

The remuneration for the Supervisory Board is a fixed basic remuneration. The remuneration amounts to DKK 400,000 a year for the Chairman and DKK 125,000 a year for the other members. The remuneration is decided by

Table 2: Remuneration of Executive Board (DKKm)

	Fixed salary	Pension	Other payments	Total
Peder Ø. Andreassen	3.0	0.4	0.1	**3.5**
Torben Glar Nielsen	1.8	0.3	0.2	**2.3**
Torben Thyregod	2.0	0.0	0.3	**2.3**
Executive Board, total	**6.8**	**0.7**	**0.6**	**8.1**

the enterprise's owner and has not been changed for the past six years.

Expenses, for example for travel and accommodation in connection with Supervisory Board meetings and relevant education and training, are reimbursed according to vouchers submitted. No further reimbursements are paid in addition thereto.

Remuneration of the Stakeholder Forum

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

Transactions with related parties

A member of the Executive Board has received DKK 147,730 for wind power supplied from his privately owned wind turbine in accordance with applicable legislation. A member of the Supervisory Board has received DKK 20,000 for consultancy services provided in connection with a specific research project. In addition, a member of the Supervisory Board has purchased a former company car for DKK 90,000, which corresponds to market price.

Control environment

External auditors

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

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

Internal auditors

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

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

Risk management and internal control environment
Energinet.dk's business processes provide an overview of the strategic, operational and project-related risk factors and ensure that risks are handled in such a way that Energinet.dk achieves the defined risk management objectives.

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

The aim is to control risks proactively through active and dynamic risk management in order to ensure efficient operations and protect the enterprise's employees, assets and reputation.

This means that Energinet.dk:

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

The Executive Board informs the Supervisory Board of the status of and development in the most significant risks on a quarterly basis.

In 2013, Energinet.dk continued its efforts to integrate the risk management approach based on the COSO Framework for Enterprise Risk Management. This work contributes to maturing Energinet.dk's overall control environment, and the efforts will continue in the coming years. Energinet.dk is also engaged in cooperation with Nordic TSOs Statnett and Svenska Kraftnät.

Internal audit committee
Energinet.dk has set up an internal audit committee which is to strengthen the financial reporting and internal control environment. The internal audit committee reports to the Executive Vice President CFO, and the internal auditor reports to the internal audit committee. The committee approves the terms of reference, audit plan and budget of the internal audit. In addition, the committee is charged with monitoring the financial reporting, the internal control environment, the statutory audit of the financial statements, the independence of auditors vis-à-vis the enterprise as well as other tasks requested by Management.

Through the internal audit committee and the internal audit, the Management of Energinet.dk ensures ongoing

follow-up on the internal control environment. In 2013, five meetings were held by the internal audit committee, which included follow-up on initiatives implemented within the following main areas:

- Establishment of an Enterprise Risk Management function in accordance with the COSO ERM framework, the focus being on risk analyses and risk management.
- Support of the current Asset Management certification preparations in accordance with the PAS55 standard.
- Establishment of targeted support of the financial reporting control environment.
- Implementation of internal audit of selected operational business processes.

At the same time, the internal audit committee meetings continually inform Rigsrevisionen and the internal audit. The internal audit has assessed that the maturity of the internal controls re financial reporting has been further strengthened in relation to 2012.

In 2013, the meetings focused more on discussing potential risks for Energinet.dk. The aim is that risks are tied to the need for internal controls as early as possible. This contributes to greater value creation as the Management can manage risks and controls more proactively. The control environment can be improved before commencing a new activity, or the management can be adjusted if the risk picture changes.

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

Corporate governance practice

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

The current Recommendations on Corporate Governance are from May 2013. According to Section 11 of the Act on Energinet Danmark, Energinet.dk must comply with the same requirements for the presentation of financial statements set out in the Danish Financial Statements Act as apply to state-owned public limited companies. Similarly, in accordance with the Danish Financial Statements Act, state-owned public limited companies must comply with the same corporate governance rules as apply to listed companies.

NASDAQ OMX Copenhagen A/S has decided to implement the recommendations of May 2013 in its rules and regulations for issuers of shares, cf. NASDAQ OMX's letter of 6 May 2013 to relevant executive boards and boards of directors. In August, Energinet.dk's Supervisory Board considered the new recommendations and adopted the majority of them. Due to Energinet.dk's ownership structure, a few areas in the recommendations are not relevant for the enterprise. Energinet.dk therefore does not comply with the recommendations in the following areas:

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

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

Energinet.dk's corporate social responsibility (CSR)

Energinet.dk's CSR work is based on the ten principles of the UN Global Compact which the enterprise joined in 2009. The work is supported by a number of policies for the enterprise's conduct and principles relating to human rights, labour rights, the environment and anti-corruption.

Each year, relevant CSR objectives and projects are identified which help to translate the enterprise's CSR policy into methods and results within, in particular, the above-mentioned areas.

Energinet.dk submits an annual CSR progress report to UN Global Compact, describing the results of its CSR work.

Principles for labour and human rights

Socially responsible procurement

Each year, Energinet.dk makes procurements to the tune of billions of kroner, and much of its procurement takes place on international markets. Through socially responsible procurement, Energinet.dk wants to help ensure that the UN's ten principles are respected. In connection with tenders, suppliers are expected to confirm that they also respect these principles and comply with Energinet.dk's requirements for responsible procurement.

Energinet.dk regularly conducts risk assessments of the enterprise's suppliers, if necessary following up with audits.

Human resources
Energinet.dk is continually focusing on ensuring proper pay and working conditions for the enterprise's employees. It is important for Energinet.dk that employees have a good work-life balance, a high level of job satisfaction and that there is scope for professional and personal development.

This is evident in the enterprise's health policy, retention policy in cases of long-term illness, senior policy and a number of other benefits for Energinet.dk employees including healthy meals, access to fitness facilities and annual voluntary health checks. Moreover, in addition to the standard maternity leave for women, Energinet.dk offers twelve weeks on full pay. Twelve weeks of paid leave is also offered to fathers with children aged 0-5 years.

In 2013, Energinet.dk increased its focus on employee efficiency and performance, introducing performance interviews for employees with their immediate superiors at least every two weeks. The focus has been on acknowledging results and identifying challenges and possible solutions as well as setting targets for the coming period.

Health and safety
In 2013, the health and safety organisation was working according to the work programme prepared at the end of 2012 on the basis of the new rules issued by the Danish Working Environment Authority regarding the organisation of occupational health and safety tasks. However, fulfilling all the goals has proved difficult. This has been taken into account when preparing the work programme for 2014.

In 2013, there were two reportable occupational injuries among Energinet.dk's employees. There were three reportable occupational injuries in 2010, three in 2011 and none in 2012, which are very low figures compared to Danish industry in general.

In 2011, Energinet.dk started registering the number of reportable occupational injuries experienced by external consultants, suppliers and contractors when working on or in Energinet.dk's installations or buildings. Three reportable occupational injuries were registered in 2011, nine in 2012 and thirteen in 2013. All the incidents have been studied in cooperation with the contractors, and the necessary measures have been implemented. We are

pleased that neither high voltage nor gas were the reason for any of the injuries.

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

Equality and diversity
It is Energinet.dk's goal that, in 2015, the gender composition of executive positions and management specialist positions will reflect the overall gender composition of the workforce. This means that 30% of all managers must be women. In 2013, this figure was 20%.

To achieve its target, Energinet.dk is focusing on any invisible barriers that might exist that prevent women from being recruited to management specialist positions in Energinet.dk, for example by ensuring that job ads appeal to both men and women. In addition, efforts are being made to ensure that at least half of the places on Energinet.dk's internal talent programmes are filled by women.

Energinet.dk acknowledges the strength of having a diverse workplace. In addition to wanting employees of both sexes, efforts are also being made to support diversity with respect to age, ethnic background, educational background etc.

Equality on the Supervisory Board and Executive Board
In 2013, a new set of rules was adopted regarding equal opportunities for the under-represented gender in the enterprise's management. The rules require that targets be set and that an equality policy be adopted.

Energinet.dk's Supervisory Board is excepted from the rules on setting targets, both for the three employee representatives who are members of the Supervisory Board and for the eight members who are appointed by the Minister for Climate, Energy and Building. When appointing members, the minister must ensure a balanced gender composition of the Supervisory Board. At the moment, the members of the Supervisory Board appointed by the minister comprise three women and five men; ie the female members account for 37.5%.
Today, the boards of the enterprise's subsidiaries are not characterised by gender equality as in most cases the Board of Directors is made up of the Executive Board, and thus comprises three men. The goal is expected to be fulfilled in 2014.

For other management levels in the enterprise, Energinet.dk has defined gender equality targets as per the previous section.

Principles for the environment and climate

Energinet.dk plays a key role in realising Denmark's objectives of transforming the Danish energy supply. It is Energinet.dk's view that the greatest benefits for the climate can be gained by continuing to focus on the realisation of this transformation. Energinet.dk is also focusing on reducing CO_2 emissions that stem from its operations. Energy-saving projects are prioritised based on a wish to achieve the greatest possible effect from the invested resources. Each year, Energinet.dk publishes a statutory environmental report providing a statement of emissions of substances which are harmful to the environment and to the climate from power and CHP generation in Denmark. 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, as well as an environmental impact statement for electricity.

Principles for anti-corruption

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 and publishes an annual report on the programmes.

Openness and transparency

Energinet.dk has set up procedures to ensure that it provides the information which is essential to the owner. The communications policy is based on openness and dialogue as the stakeholders – be they customers, cooperation partners, citizens, authorities or the press – have a legitimate expectation that Energinet.dk, a public enterprise with an important role in society, communicates openly and transparently about its activities.

Whistle-blowing

Energinet.dk has implemented a whistle-blowing scheme, which has been established via an external supplier and approved by the Danish Data Protection Agency, entered into force on 1 August 2012.

No incidences were reported in 2013.

Supervisory Board

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

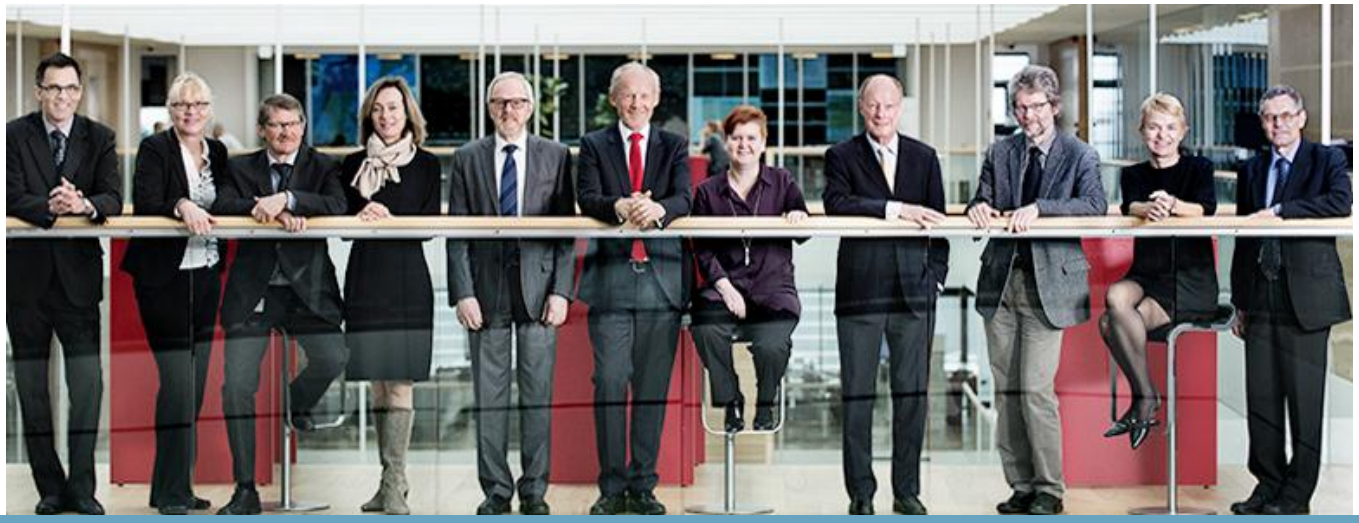
Birgitte Kiær Ahring
MSc (Biology), PhD, Professor of Biotechnology at Aalborg University. Appointed to the Supervisory Board by the Minister for Climate, Energy and Building in 2005 and reappointed in 2007, 2008, 2010 and 2012.
The appointment expires on 30 April 2014.
Other directorships:
- Chairman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

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

Hanne Søndergaard
Global SVP, Arla Foods amba. Appointed to the Supervisory Board by the Minister for Climate, Energy and Building in 2010 and reappointed in 2012.
The appointment expires on 30 April 2014.
Other directorships:
- Member of the Board of Directors of Annelise og Tage Søndergaards Fond, Ejendomsselskabet af 2/1 1989 Esbjerg as well as Tage Søndergaard Holding A/S.

Per Sørensen
Engineer, Diploma in Economics. Appointed to the Supervisory Board by the Minister for Climate, Energy and Building in 2010 and reappointed in 2012.
The appointment expires on 30 April 2014.
Other directorships:
- Member of the Board of Directors of Horsens Vand A/S, Delpro Holding A/S and B4F S.M.B.A

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



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

Peter Møllgaard
MSc (Economics), PhD, Professor of Industrial Organisation at Copenhagen Business School (CBS). Appointed to the Supervisory Board by the Minister for Climate, Energy and Building in 2005 and reappointed in 2007, 2008, 2010 and 2012.
The appointment expires on 30 April 2014.
Other directorships:
- None

Poul Erik Morthorst
MSc (Economics), Professor, DTU Management Engineering, Risø. Appointed to the Supervisory Board by the Minister for Climate, Energy and Building in 2005 and reappointed in 2007, 2008, 2010 and 2012.
The appointment expires on 30 April 2014.
Other directorships:
- None

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

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

Berit Schilling
Settlement Coordinator, Finance. Employee-elected; joined the Supervisory Board on 1 March 2013.
The term of office expires on 23 August 2015. Former member of the Supervisory Board from 24 August 2007 to 23 August 2011.
Other directorships:
- None

Executive Board

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

Peder Ø. Andreasen, President and CEO
Other directorships:
- Chairman of the Board of Directors in four of Energinet.dk's wholly owned subsidiaries

Torben Thyregod, Executive Vice President, CFO
Other directorships:
- Member of the Board of Directors in five of Energinet.dk's wholly owned subsidiaries
- CEO of Torben Thyregod Holding ApS with three subsidiaries
- Member of the Board of Directors of Airport Terminal A ApS, its holding company TOKE Holding ApS and of Grapevine ApS

Torben Glar Nielsen, Executive Vice President, CTO
Other directorships:
- Chairman of the Board of Directors in one of Energinet.dk's wholly owned subsidiaries
- Member of the Board of Directors in two of Energinet.dk's wholly owned subsidiaries

Stakeholder Forum

Chairman
Birgit W. Nørgaard, CEO

Members
Allan Kjersgaard, Consultant, Danish Waste Association
Asbjørn Bjerre, Manager, Danish Wind Turbine Owners' Association
Birgitte Sloth, Associate Dean, Professor, University of Copenhagen
Birte Holst Jørgensen, Deputy Head of Department, DTU Management Engineering
Charlotte Søndergren, Head of Department, Danish Energy Association
Ellen Margrethe Basse, Professor, Doctor of Laws (LLD), Aarhus University
Erik Nørregaard Hansen, Manager, Association of Danish CHP Enterprises (*Foreningen af Danske Kraftvarmeværker*)
Frede Hvelplund, Professor, Department of Development and Planning, Aalborg University
Heidi Rønne Møller, Consultant
Ingeborg Ørbech, Consultant, The Confederation of Danish Industry
Jacob Østergaard, Professor, Head of the Centre, DTU Electrical Engineering
Jan Ingwersen, Business Area Manager
Janne Wichard Henriksen, Consultant
Jens Astrup Madsen, Energy Manager, Danish Agriculture & Food Council
Kim Mortensen, CEO, Danish District Heating Association (*Dansk Fjernvarme*)
Klaus Winther, Head of Fyn Power Station, Vattenfall Denmark
Knud Sloth, Director
Lotte Holmberg Rasmussen, MSc (Engineering), Neas Energy
Marianne Eriksen, CEO, Norenergi
Michael Mikkelsen, Managing Director, Scanenergi
Susanne Juhl, CEO, HMN Naturgas I/S
Svend Erik Jensen, Danish Consumer Council

Financial review

Results 2013

Energinet.dk returned a net profit for the year of DKK 37 million against a net profit of DKK 261 million in 2012. The results are influenced by two conflicting factors. The net profit for the year is positively affected by adjustments of deferred tax owing to the growth package passed by the Danish Parliament on 27 June 2013, which gradually reduces the corporation tax rate from 25% to 22% by 2016. This reduction has a positive impact of DKK 398 million.

The net profit for the year is negatively affected by impairment of the company's assets in Energinet.dk Gaslager A/S. Due to the market being under pressure and the resulting decline in revenue, an impairment of DKK 500 million was made.

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

Temporary differences between income and expenses are considered as either receivables from or debt to consumers and will therefore not affect the net profit or loss for the year, but merely constitute a periodical change in liquidity between the years, depending on the difference between expenses paid and tariffs charged.

A total profit after tax of DKK 37 million was posted in 2013, among other things due to the receipt of EU grants totalling DKK 95 million after tax. Congestion rents transferred to reserves for future investments are affected by the provision for the year and repayments to consumers as a result of the energy agreement from 2012. The net effect of the provision impacts the profit by DKK -4 million. Lastly, the results for 2013 are impacted by other factors of DKK -54 million, including impairment of assets in Energinet.dk Gaslager A/S of DKK 500 million and positive adjustments of deferred tax of DKK 354 million and other factors of DKK 92 million.

Compared to 2012, apart from the impairment and the changed tax rate, the results are affected by a fall in EU grants received as a result of the completion of the EU-funded gas compressor in Egtved.

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

Segmental income statement DKKm	Power system	Environmentally friendly energy – PSO	Gas system	Commercial activity	Eliminations	Annual report 2013	Annual report 2012
Tariff revenue	2,366	5,734	351	0	0	8,451	8,130
Sale of electricity from wind turbines and other RE facilities	0	215	0	0	0	215	277
Sale of electricity from local CHP plants	0	78	0	0	0	78	87
Congestion rents	601	0	0	0	0	601	856
Fee for balancing the power system	164	0	0	0	0	164	131
Power generation subsidies	48	0	0	0	0	48	86
Other income	40	0	57	179	-59	217	238
Revenue	3,219	6,027	408	179	-59	9,774	9,805
Excess revenue/deficit	-150	-143	97	0	0	-196	-988
EU grants	0	0	130	0	0	130	316
Other operating income	0	0	44	10	0	54	9
Total income	3,069	5,884	679	189	-59	9,762	9,142
Subsidies for energy production	-48	-4,762	0	0	0	-4,810	-3,849
Purchase of electricity	0	-648	0	0	0	-648	-801
Subsidies for R&D	0	-179	0	0	0	-179	-180
Other energy costs	0	-239	-2	-10	0	-251	-225
Compensation for grid losses	-153	0	0	0	0	-153	-358
Purchase of regulating power	-101	0	0	0	0	-101	-104
Payment for the 132/150 kV grids	0	0	0	0	0	0	-234
Payment for reserves/storage capacity	-704	0	-165	0	46	-823	-1,038
Expenses relating to foreign grids	-50	0	0	0	0	-50	-60
Payment for inspections	-53	0	-8	0	0	-61	-54
Other external operating expenses	-327	0	-46	-33	0	-406	-321
Total external expenses	**-1,436**	**-5,828**	**-221**	**-43**	**46**	**-7,482**	**-7,224**
Staff costs	-232	0	-84	-8	0	-324	-339
Total costs	-1,668	-5,828	-305	-51	46	-7,806	-7,563
Depreciation and impairment losses for tangible and intangible assets	-1,039	-31	-144	-709	13	-1,910	-959
Operating profit/loss	362	25	230	-571	0	46	620
Net financials	-358	-25	-120	74	0	-429	-269
Profit/loss before tax	4	0	110	-497	0	-383	351
Tax on profit for the year	215	0	59	146	0	420	-90
Net profit/loss for the year	219	0	169	-351	0	37	261

Business segments

Danes' electricity consumption on 12 November

Power system

Energinet.dk owns, operates and develops the Danish electricity transmission grid – the energy 'motorways' – as well as the interconnections currently connecting Sweden, Norway and Germany.

The enterprise is responsible for ensuring the sufficient supply of electricity, a well-functioning electricity market and the cost-effective integration of renewable energy.

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

Energinet.dk's power system

Approx. 4,900 km of overhead lines
Approx. 1,900 km of submarine and land cables
185 substations
9 international interconnections

Investments for the year

Energinet.dk continued the expansive investment programme in 2013 with a view to facilitating tomorrow's challenges associated with stepping up the integration of renewable energy. Energinet.dk's capital investments amounted to DKK 3,239 million in 2013, with most of the investments relating to the power system. The single largest investments concern the expansion of the 400 kV grid from Kassø in South Jutland to Tjele near Viborg, Denmark, at a cost of DKK 897 million and the addition of a new submarine cable to Norway, Skagerrak 4, at a cost of DKK 481 million in 2013. Both projects will be completed in 2014.

In March 2013, Energinet.dk and 130 power grid and electricity trading companies put the so-called DataHub into service. The DataHub is a common data central which gathers all information about the Danes' electricity consumption in one place, thereby opening the retail market to greater competition. The investment totalled DKK 116 million.

The DataHub will be supplemented by the wholesale model, which means that customer contact is taken over by electricity trading companies and that the grid companies – including Energinet.dk – become subsuppliers to the electricity trading companies. Going forward, the electricity trading companies will handle all customer invoicing. The wholesale model is expected to become effective in October 2015.

Financial results

In 2013, segment revenue totalled DKK 3,219 million, while a net profit of DKK 219 million was posted. The business segment is managed according to a break-even principle where any excess revenue/deficit for the year is

Table 3: Power system

DKKm	2013	2012	2011	2010	2009
Income statement					
Revenue	3,219	3,680	3,391	3,674	3,843
Excess revenue/deficit for the year*	-150	-487	-13	455	-365
Operating profit/loss	362	228	340	775	365
Net financials	-358	-143	-155	-105	-102
Net profit/loss for the year	219	65	-36	650	153
Balance sheet					
Non-current assets	24,602	22,053	12,082	10,560	9,957
Balance sheet total	25,896	23,236	13,753	11,986	11,021
Acc. excess revenue/deficit	-144	6	468	263	-192
Equity	5,434	5,237	5,148	5,202	4,706
Other financial key ratios					
Tariff (DKK 0.01 per kWh)	6.9	7.6	7.4	6.3	7.4

*) + = deficit, – = excess revenue. See also Note 1 for a specification of costs etc.

repaid/collected in the following year. The accumulated excess revenue at the end of 2013 is DKK 144 million, corresponding to DKK 0.004 per kWh in the grid and system tariffs.

Revenue primarily takes the form of tariffs collected from consumers, but Energinet.dk also receives congestion rents and other income.

Revenue fell by DKK 461 million relative to 2012, primarily due to a reduction of the grid and system tariffs from DKK 0.076 per kWh to DKK 0.069 per kWh. The previous years' accumulated deficits were recovered in 2012, which led to a lowering of the tariff in 2013. Congestion rents were DKK 255 million lower than in 2012 as a result of reduced price differentials between Denmark and the other Nordic countries. Part of the effect is, however, countered by increased price differentials in relation to Germany.

Costs mainly take the form of purchases of ancillary services, coverage of grid losses and other operating expenses.

Grid loss costs were extraordinarily low in 2013 due to a correction of the grid loss on Zealand in the period 2007-2013 when a grid company had erroneously failed to report consumption in a substation to Energinet.dk.

Up until the take-over of the regional transmission companies in August 2012, Energinet.dk has made availability payments for the regional transmission grids. These availability payments have been abolished and replaced by increased depreciation and financial expenses. Other external operating and staff costs are also affected by the acquisition of the regional transmission grids.

Costs relating to ancillary services are DKK 175 million below the 2012 level, mainly as a result of low forced operation costs.

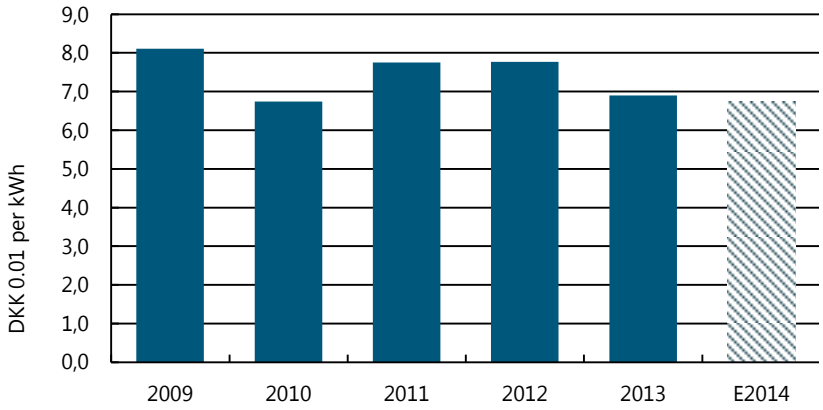
Outlook 2014

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

The grid and system tariffs will remain at DKK 0.069 per kWh in 2014, and the total tariff income is expected to be on a par with 2013.

Costs relating to ancillary services are expected to amount to DKK 683 million in 2014, down DKK 21 million on 2013, while grid loss costs in 2014 are estimated to be on a par with 2013 when disregarding the extraordinary payment from a grid company.

Figure 5: Development in grid and system tariffs (2013 prices)



The investment level will remain high in the coming years. Energinet.dk expects investments in the Power system business segment of approx. DKK 3,000 million in 2014, which is on a par with investments in 2013.

Business segments

Promotion of environmentally friendly energy – PSO

On behalf of society, Energinet.dk undertakes a number of statutory tasks that are primarily designed to realise the political ambitions of strengthening environmentally friendly energy. These tasks are known as PSOs or public service obligations.

Electricity consumers pay for these services via the PSO tariff.

Subsidies for environmentally friendly electricity generation and sale of electricity

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

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

Energinet.dk pays the subsidy in three different ways:

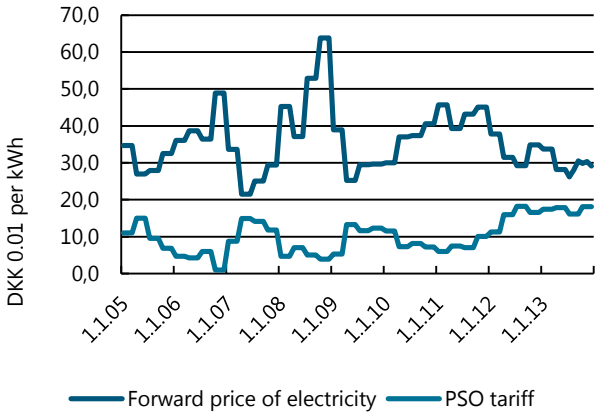
1. Energinet.dk buys the generated power at a guaranteed price and then sells it on Nord Pool Spot. The deficit is included in the PSO costs. This settlement method is used for most wind turbines and small local CHP plants.
2. Energinet.dk pays a subsidy which depends on the market price of electricity. The subsidy corresponds to the difference between a fixed settlement price and the market price on the Nord Pool Spot power exchange. This settlement method is used for wind turbines owned by power stations and other RE facilities.
3. Energinet.dk supplements the income up to a guaranteed level for producers selling their own power generation on the market. This means that they receive a fixed monthly subsidy that varies depending on the price of electricity. This settlement method is used for large local CHP plants.

In most cases, the size of the subsidy varies depending on the market price of electricity; see figure 6.

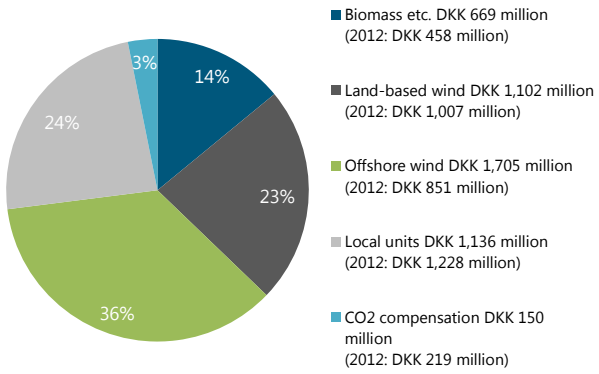
Subsidies for R&D

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

Figur 6: Connection between PSO tariff and forward price of electricity



Figur 7: Subsidies for environmentally friendly electricity - generation



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

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

In the R&D calls for 2013, most of the subsidies were granted to Smart Grid, solar cell and fuel cell projects.

In 2013, Rigsrevisionen completed an investigation into competitive R&D funding for energy research. The ForskEL programme is one of the four programmes that were investigated. The investigation led to a few administrative changes for Energinet.dk which have now been implemented. Rigsrevisionen has positively acknowledged that the programmes under the Danish Ministry of Climate, Energy and Building (EUDP, ForskEL, ForskVE and Elforsk) have introduced greater coordination and harmonisation of administrative procedures.

At the same time, Rigsrevisionen recommended that consideration be given to preparing an overall strategy for Danish energy research in order to contribute to fulfilling the energy-political objectives and that the programmes define specific targets and introduce performance evaluations.

Other subsidies

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

Energinet.dk administers four schemes under the Danish Act on the Promotion of Renewable Energy (*Lov om fremme af vedvarende energi*), which is to ensure the erection of land-based wind turbines:

1. The Guarantee Fund, which makes it possible for local wind turbine cooperatives/initiative groups to obtain a guarantee when raising loans to finance fea-

Table 4: PSO

DKKm	2013	2012	2011	2010	2009
Income statement					
Revenue	6,027	5,485	3,187	3,766	4,330
Excess revenue/deficit for the year*	-143	-466	696	-190	28
Balance sheet					
Non-current assets	436	466	503	493	673
Balance sheet total	1,875	1,494	1,853	1,352	1,820
Acc. excess revenue/deficit	242	385	876	304	494
Equity	0	0	0	0	0
Other financial key ratios					
Tariff (average for the period), DKK 0.01 per kWh	17.4	15.4	7.7	8.6	10.6

*) + = deficit, – = excess revenue. See also Note 1 for a specification of costs etc.

sibility studies in connection with new wind turbine projects.
2. A green scheme which allows municipalities in which new wind turbines are installed to apply for funding for various types of construction work as well as cultural and informative activities in local associations etc.
3. The loss-of-value scheme, which allows the neighbours of planned wind turbines to be compensated if the value of their property is expected to fall as a result of the erection of the new wind turbines.
4. The option-to-purchase scheme, which gives local citizens the option to purchase shares in future wind turbine projects.

Financial results

In 2013, segment revenue totalled DKK 6,027 million. The business segment is managed according to a break-even principle where any excess revenue/deficit for the year is repaid/collected in the following year. The accumulated deficit at the end of 2013 is DKK 242 million, corresponding to DKK 0.007 per kWh in the PSO tariff.

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

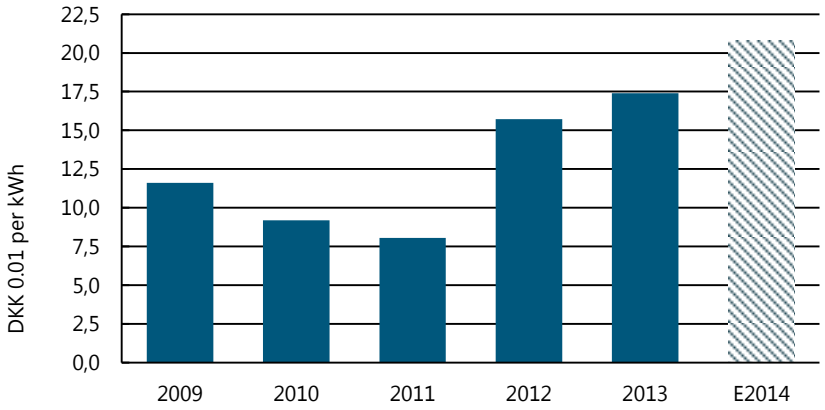
Total revenue grew by DKK 542 million relative to 2012, primarily due to increasing tariffs to cover higher subsidies for renewable energy production resulting from continued low market prices of electricity. However, lower production caused mainly by delayed grid connections and less wind than in a normal year reduced PSO costs, partially offsetting the increase.

In 2013, Energinet.dk paid subsidies totalling DKK 4,762 million to producers of environmentally friendly energy against DKK 3,763 million in 2012. The increase of DKK 999 million can primarily be ascribed to offshore wind turbine subsidies, with Anholt Offshore Wind Farm operating at full capacity as of September 2013.

In addition, in November 2013 the EU approved a DKK 0.036 per kWh increase in biogas funding with retroactive effect from 1 July 2012, which increased PSO funding costs by DKK 215 million.

Other costs and subsidies for R&D are on a par with 2012 levels. Energinet.dk recorded reduced costs for grid losses in the offshore grid for wind turbines, but these are offset by increased costs for grid connection of wind turbines and local plants.

Figure 8: Development in the average PSO tariff (2013 prices)



Outlook 2014

The expected decline in electricity spot prices in 2014 will lead to increased PSO funding for wind turbines due to the erection of new onshore wind turbines and the full-year effect of Anholt Offshore Wind Farm, which was commissioned in September 2013.

The expected fall in electricity spot prices in 2014 also implies increased subsidies for local plants being paid a basic amount. On the other hand,
the lower prices are expected to result in a marginal fall in the purchase of electricity from plants subject to a time-of-day tariff.

In 2014, an average market price of electricity of DKK 0.261 per kWh is foreseen, which is expected to result in an expected average PSO tariff of DKK 0.208 per kWh.

Business segments

Gas system

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

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

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

Energinet.dk's gas system

Approx. 954 km of gas pipelines
1 compressor station
46 meter and regulator stations

Investments for the year

With the EU's Director General for Energy and the Danish Minister for Climate, Energy and Building among others in attendance, the compressor station in Egtved and the Ellund-Egtved gas pipeline were officially commissioned in September 2013. Investments amounted to DKK 290 million in 2013, bringing the total investments in the 2009-2013 period to DKK 1.4 billion.

The commissioning of the compressor station and the gas pipeline has resulted in a very high level of security of supply for the Danish and Swedish gas markets.

Financial results

The business segment is managed according to a break-even principle where any excess revenue/deficit for the year is repaid/collected in the following year. The total excess revenue, however, corresponds to more than one year of revenue, and under an agreement with the Danish Energy Regulatory Authority the excess revenue will be reduced via the coming years' tariff payments.

At the end of 2012, the accumulated excess revenue was DKK 543 million, prompting Energinet.dk to lower the gas tariffs in 2013 in order to reduce the excess revenue. Consequently, revenue fell from DKK 477 million in 2012 to DKK 408 million in 2013, and the accumulated excess revenue was reduced to DKK 446 million at the end of 2013.

Tariff revenue fell from DKK 447 million in 2012 to DKK 351 million in 2013, when a general transport tariff reduction was implemented to settle the excess revenue. The decline in revenue is also caused by reduced exports

Table 5: Gas system

DKKm	2013	2012	2011	2010	2009
Income statement					
Revenue	408	477	628	881	805
Excess revenue/deficit for the year*	97	-35	-153	-107	74
Operating profit/loss	230	303	274	180	78
Net financials	-120	-51	-88	-89	-91
Net profit/loss for the year	169	192	146	36	13
Balance sheet					
Non-current assets	5,400	5,169	4,260	4,073	4,035
Balance sheet total	6,198	5,625	4,691	4,664	4,470
Acc. excess revenue/deficit	-446	-543	-508	-261	-154
Equity	861	692	499	353	317
Other financial key ratios					
Capacity payments, DKK/kWh/h/year	9.48	10.54	10.54	10.54	11.54
Volume payments, DKK 0.01 per kWh	0.11	0.12	0.12	0.12	0.12
Emergency supply payments, DKK 0.01 per kWh	0.36	0.36	0.58	0.82	0.71

*) + = deficit, – = excess revenue. See also Note 1 for a specification of costs etc.

to Germany and a fall in Danish natural gas consumption, further reducing revenue.

EU grants have fallen relative to 2012 due to the completion of the extension of the gas transmission network between Ellund and Egtved. The funding received from the European Economic Recovery Plan was therefore reduced from DKK 314 million in 2012 to DKK 130 million in 2013.

Storage and emergency supply service costs fell from DKK 201 million in 2012 to DKK 139 million in 2013. The fall of DKK 62 million can primarily be attributed to falling costs as a result of more favourable emergency supply agreements with the North Sea producers.

Figure 9: Development in gas transport tariffs

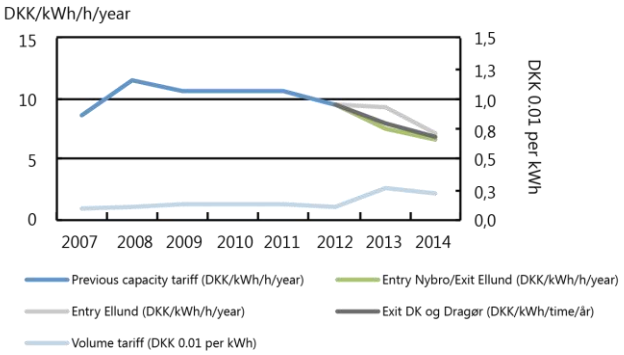
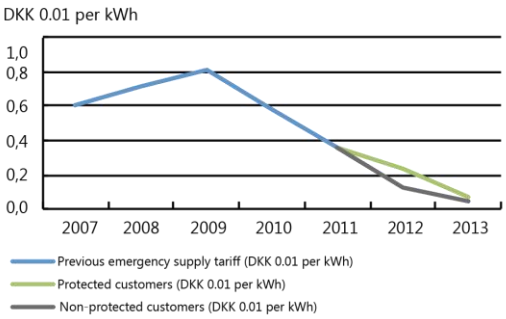


Figure 10: Development in emergency supply tariffs



Tariffs

Before the establishment of the compressor station and the gas pipeline to Germany, Energinet.dk had fixed a uniform tariff for transporting gas in Denmark. As a consequence of the new infrastructure, it was necessary to introduce differentiated gas tariffs in order to accommodate customer wishes for tariffs that reflect the use of the new infrastructure to a greater extent.

The new differentiated transport tariffs came into effect on 1 October 2013 (see figure 9). As has been the case so far, the tariffs will be based on volume and capacity tariffs, but unlike before, there will now be three capacity tariffs instead of one.

In future, the capacity tariff will be divided into one tariff covering the historical investments in the gas transmission network, one tariff covering the new investment in the gas pipeline to Germany and one tariff covering the compressor station investment.

The relationship between the capacity tariff and the volume tariff has changed accordingly. Previously, there was a fixed relationship between these tariffs, but now the capacity tariff has been changed to cover the investment costs, while the volume tariff only covers the variable costs of using the gas system. As a result of this change, the volume tariffs rise compared to previously, while the capacity tariffs fall.

The new transport tariff principle will be subject to continuous evaluation.

Outlook 2014

Tariff income for 2014 is expected to fall relative to 2013; accumulated excess revenue was realised in early 2013, which will be repaid to consumers in the coming years.

Business segments

Commercial activities

Energinet.dk's gas storage activities

Energinet.dk Gaslager A/S is a wholly owned subsidiary tasked with selling storage capacity in the gas market on commercial terms. Situated in Lille Torup near Viborg, Denmark, the gas storage facility competes with German gas storage facilities and the Stenlille gas storage facility owned by DONG Energy A/S as well as other types of flexibility suppliers in the North-Western European gas market. Energinet.dk Gaslager A/S sells the storage facility's capacity at auctions and on a first come, first served (FCFS) basis. The gas is stored in seven caverns in a large subterranean salt dome.

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

Investments

In 2011, the gas storage facility was granted permission by the environmental authorities to releach one of the seven caverns with a view to maintaining the subterranean parts of the facility. The project was completed in 2013, and in addition to prolonging the life of the cavern by 30-40 years, it has also ensured compliance with modern safety standards. The total investment amounted to DKK 80 million, of which DKK 10 million was invested in 2013.

Energinet.dk owns and manages two commercial enterprises. Energinet.dk Associated Activities A/S leases out capacity in optical fibre cables and sells consultancy services. The enterprise's gas storage activities in Lille Torup are managed by Energinet.dk Gaslager A/S (wholly owned by Energinet.dk Gaslager Holding A/S).

Energinet.dk's commercial activities

Gas storage facility: Capacity 425 million Nm^3

Financial results

Income from storage services totalled DKK 175 million in 2013, which is DKK 29 million less than in 2012. The decline is caused by capacity being sold at lower prices compared to the previous year on account of a significantly changed competition and market situation. Competition intensified dramatically in 2013 as a result of the increased exposure to the North-Western European market which was made possible by the establishment of pipeline infrastructure and compressor capacity north and south of the Danish-German border during the year, making the Danish storage market a true part of the European storage market. This was clear from the demand for capacity based on prices in the North-Western European markets only. All of the capacity for the 2013/14 storage year was sold.

External expenses and staff costs amounting to DKK 43 million were realised, representing an increase on 2012. The increase can primarily be attributed to rising electricity costs for compressor operation.

The net loss for the year of DKK -355 million is negatively impacted by impairment of the gas storage facility's value by DKK 500 million. This is partially offset by an adjustment of deferred tax of DKK 69 million resulting from a change in the corporation tax rate from 25% to 22% in 2016. Net financials are positively impacted by DKK 111 million based on a changed distribution of previous years' interest among the group's business segments.

Impairment of the gas storage facility's value

Energinet.dk acquired Energinet.dk Gaslager A/S in Lille Torup on 1 May 2007. However, since the acquisition, a number of market changes have been seen in the key assumptions behind the acquisition.

Firstly, in 2011 Energinet.dk Gaslager A/S ceased to be covered by the price provision in the Danish Natural Gas Supply Act (*Naturgasforsyningsloven*) in connection with the implementation of the third EU liberalisation package. Consequently, the previously cost-based regulated price formation for the Danish gas storage facilities was replaced by an actual market principle, under which storage services are sold at the price that can be obtained in a liberalised market.

Secondly, the market coupling between the Danish/Swedish market and the North-Western European market was strengthened in 2013 as a result of the expansion of the Danish gas network towards Germany. This meant that not only the gas markets but also the related flexibility markets (defined as the markets in which the gas storage facilities operate) practically merged across the Danish-German border. This exposed the gas storage facilities to further competition as gas storage services in the Danish-Swedish market can no longer be sold at a price which is higher than the current market price in the North-Western European market. Today, the gas storage price in Denmark is in fact determined by the financial markets south of the Danish border.

Thirdly, since 2011 the European flexibility price has been considerably lower than during the preceding many years due to a number of structural, global and European inexpediencies in the market. The current price is around 60-65% below the level for the first years after Energinet.dk took over the facility in Lille Torup.

Based on the above market indications, Energinet.dk estimates that future earnings cannot be expected to meet the budgeted earnings. Consequently, it can be

Table 6: Commercial activities

DKKm	2013	2012	2011	2010	2009
Income statement					
Revenue	179	208	249	253	251
Operating profit/loss	-571	68	99	97	102
Net financials	74	-54	-63	-72	-86
Net profit/loss for the year	-351	4	18	11	1
Balance sheet					
Non-current assets	1,473	2,150	2,207	2,303	2,381
Balance sheet total	1,488	2,175	2,210	2,359	2,418
Equity*	203	532	522	535	546

* In 2013, equity is presented in accordance with the financial statements for the subsidiaries in the business segments. Comparative figures have been restated.

See also Note 1 for a specification of costs etc.

concluded that the value of Energinet.dk Gaslager A/S has fallen compared to the original forecasts.

A subsequent impairment test has shown that Energinet.dk Gaslager A/S's assets must be impaired by a net amount of DKK 500 million which is the primary reason for the net loss realised for the year.

Energinet.dk Associated Activities A/S

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

Urged by Danish industry, the enterprise also sells energy consultancy services in other countries, in particular within Energinet.dk's core fields and based on its knowledge about and experience with the integration of renewable energy in the power system. Consultancy services are provided under the auspices of Energinet.dk Associated Activities A/S under the name Energinet.dk Energy Consultancy A/S (EEC).

In 2013, the consultancy business undertook a variety of consultancy and teaching assignments within the TSO area with special focus on the integration of renewable energy, for example in East Africa, where Energinet.dk Associated Activities A/S advises EEC East African Power Pool, which is a partnership between 10 East African countries dedicated to the development and operation of an international power system.

Financial results

Energinet Associated Activities A/S posted total income of DKK 14 million in 2013, comprising revenue from consultancy services of DKK 4 million and lease income of DKK 10 million. Income is on a par with 2012.

External expenses of DKK 8 million were posted, which is also on a par with 2012.

A net profit for the year of DKK 4 million was recorded, which is on a par with 2012.

Outlook 2014

Due to the expected reduction in revenue in Energinet.dk Gaslager A/S, a profit of approx. DKK 3-5 million is expected to be posted for 2014. Results for Energinet.dk Associated Activities A/S in 2014 are expected to be on a par with the results for 2013 (approx. DKK 2-4 million).

Other items and outlook 2014

Comments on other items

No comments are provided on the following items in the previous sections on business segments.

Depreciation, amortisation and impairment losses on non-current assets

Depreciation and amortisation for the year rose from DKK 959 million in 2012 to DKK 1,910 million in 2013. The main reason for this is a DKK 594 million impairment of the gas storage facility's non-current assets. Furthermore, unlike 2012, the assets acquired in the regional transmission companies are recognised in full in 2013, increasing depreciation and amortisation by DKK 233 million compared with 2012.

Tax on profit or loss for the year

Tax on profit or loss for the year amounts to DKK 420 million. Tax on profit or loss for the year is affected by the adoption of the growth package, in which it was decided to gradually reduce the corporation tax rate. This implies that Energinet.dk's deferred tax obligation will be reduced by DKK 398 million. This does not affect the tax paid in 2013, nor will it have any immediate impact on the tariffs. The effective tax rate thus amounts to approx. 6% when disregarding the one-off adjustment resulting from a reduction of the corporation tax rate.

Liabilities other than provisions and financial issues

Group interest-bearing debt rose by DKK 1,943 million from DKK 16,424 million in 2012 to DKK 18,367 million in 2013. The increase is essentially attributable to increased investing activities. In 2013, Energinet.dk reduced the previous years' deficits which has had a positive impact on total net interest-bearing debt.

Energinet.dk uses durations as its guiding financial risk measure. This means that there must be a correlation between the duration of the assets and the duration of the liabilities. Between 75% and 100% of the risk measure must be met. At the start of the year, the composition of the loan portfolio was such that 85% of the duration was met. Changes in the enterprise's non-current assets and changes in the composition of net interest-bearing debt are the main reasons behind the 82% fulfilment of the duration at the end of the year.

In 2013, the effective borrowing rate on group interest-bearing debt was 2.29% as opposed to 2.17% in 2012.

Cash flow statement

The total effect on cash flow in 2013 represents a fall of DKK 623 million.

Cash flows from operating activities are DKK 1,094 million in 2013 against DKK 1,686 million in 2012. The primary reason for the less positive impact from operations is a smaller change in accumulated excess revenue/deficits in 2013. In 2013, this specific item contributed DKK 196 million to liquidity compared to DKK 989 million in 2012.

Net total investments were DKK 3,239 million in 2013 compared to DKK 8,202 million in 2012. In 2012, the figure was impacted by the acquisition of the regional transmission companies of DKK 5,657 million.

Cash flows from financing activities amount to DKK 1,522 million. During the year, new loans totalling DKK 2,028 million were raised in Danmarks Nationalbank, while ordinary instalments and repayments amounted to DKK 1,445 million. The enterprise's short-term debt has risen by DKK 939 million as a result of an increased use of commercial papers (commercial paper programme) and credit facilities in banks.

Outlook 2014

The Energinet.dk Group expects the cost and investment level in 2014 to be on a par with 2013. As the business segments are managed according to a break-even principle, the enterprise is basically expected to break even, corresponding to results ranging from a loss of DKK -100 million to a profit of DKK 100 million. Reference is also made to the descriptions of the individual business segments which provide further details on tariff developments and the results for the individual segments.

Events after the balance sheet date

No significant events have occurred after the balance sheet date that affect the fair presentation at 31 December 2013 of the Group's and the Parent's assets, liabilities and financial position and the results of the Group's and the Parent's activities.

Consolidated financial statements

Income statement

Note	DKKm	2013	2012
	Tariff revenue, grid and system	2,366	2,562
	Tariff revenue, PSO	5,734	5,121
	Tariff revenue, gas transmission	351	447
	Congestion rents	601	856
	Fee income for balancing the power system	164	131
	Sale of PO electricity	293	364
	Commercial revenue	133	163
	Other revenue	132	161
1	Revenue	9,774	9,805
2	Excess revenue/deficit *	-196	-988
	EU grants	130	316
3	Other operating income	54	9
	Total income	9,762	9,142
	External expenses	-7,482	-7,224
4	Staff costs	-324	-339
	Total costs	-7,806	-7,563
5	Depreciation and impairment losses for tangible and intangible assets	-1,910	-959
	Profit before net financials	46	620
	Net profit in associates after tax	1	12
6	Financial income	25	54
7	Financial expenses	-455	-334
	Profit/loss before tax	-383	351
8	Tax on profit or loss for the year	420	-90
	Net profit/loss for the year	37	261
	The following distribution of the net profit for the year is proposed:		
	Strengthening of contributed capital	0	116
	Transferred to other reserves	37	145
	Total	37	261

*) + = deficit and – = excess revenue

Assets

Note	DKKm	2013	2012
	Intangible assets		
	Goodwill	184	373
	Rights	47	51
	Software	221	143
	Software under construction	72	56
9	**Total intangible assets**	**524**	**623**
	Tangible fixed assets		
	Land and buildings	485	500
	Infrastructure	25,682	24,096
	Cushion gas	585	468
	Other plant	133	143
	Assets under construction	4,262	3,759
10	**Total tangible fixed assets**	**31,147**	**28,966**
	Investments		
	Equity investments in associates	3	2
	Other equity investments	40	37
11	**Total investments**	**43**	**39**
	Total non-current assets	31,714	29,628
	Inventories	**310**	**105**
	Receivables		
	Trade receivables	451	149
12	Receivables from associates	0	2
20	Corporation tax	0	65
13	Other receivables	1,660	1,721
2	Deficit	242	391
14	Prepayments	325	146
	Total receivables	**2,678**	**2,474**
	Cash and cash equivalents	**35**	**113**
	Total current assets	3,023	2,692
	Total assets	34,737	32,320

Equity and liabilities

Note	DKKm	2013	2012
	Equity		
	Contributed capital	3,157	3,157
	Strengthening of contributed capital	950	950
	Other reserves	1,891	1,854
	Total equity	5,998	5,961
	Provisions		
15	Deferred tax liabilities	2,785	3,325
16	Provisions	4,182	3,417
	Total provisions	6,967	6,742
	Long-term liabilities other than provisions		
17	Payables to credit institutions and mortgage debt	16,221	14,444
18	Deferred income	318	329
19	Lease commitment	58	64
	Total long-term liabilities other than provisions	**16,597**	**14,837**
	Short-term liabilities other than provisions		
17	Current maturities of long-term liabilities other than provisions	75	1,471
18	Current maturities of long-term deferred income	7	2
19	Current maturities of long-term lease commitment	6	6
	Debt, commercial papers	1,461	522
	Payables to credit institutions	645	100
	Trade payables	371	368
	Payables to associates	0	0
2	Excess revenue	590	543
21	Other payables	2,020	1,768
	Total short-term liabilities other than provisions	**5,175**	**4,780**
	Total liabilities other than provisions	21,772	19,617
	Total equity and liabilities	34,737	32,320
22	Provision of security and charges		
23	Derivative financial instruments		
24	Contingent liabilities and other financial liabilities		
25	Fees to external auditor		
26	Related parties		

Statement of changes in equity

DKKm	Contributed capital	Strengthening of contributed capital	Other reserves	Total
Equity at 1 January 2012	3,157	834	1,678	5,669
Net profit/loss for the year		116	145	261
Value adjustment of hedging instruments, beginning of year			3	3
Value adjustment of hedging instruments, end of year			28	28
Foreign currency translation adjustment of equity investments, beginning of year			-1	-1
Foreign currency translation adjustment of equity investments, end of year			1	1
Equity at 31 December 2012	3,157	950	1,854	5,961
Net profit/loss for the year		0	37	37
Value adjustment of hedging instruments, beginning of year			-28	-28
Value adjustment of hedging instruments, end of year			28	28
Foreign currency translation adjustment of equity investments, beginning of year			-1	-1
Foreign currency translation adjustment of equity investments, end of year			1	1
Equity at 31 December 2013	3,157	950	1,891	5,998

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

	Balance at 1 January 2013	Movements of the period	Balance at 31 December 2013
Balance for other reserves can be specified as follows:			
Income from congestion rents transferred to reserves, incl. capitalisation	1,457	-4	1,453
EU grants transferred to reserves	403	95	498
Results from commercial activities	65	-352	-287
Depreciation of decommissioning costs in respect of facilities acquired before 1 January 2005	-121	-32	-153
Unrealised translation adjustments, net financials	38	-11	27
Adjustment of deferred tax	197	354	551
Results of Regionale Net.dk A/S	-159	-13	-172
Fair value adjustment of financial instruments	-27	0	-27
Foreign currency translation adjustment of equity investments	1	0	1
Other reserves at 31 December 2013	1,854	37	1,891

DKKm	Con-gestion rents transfer-red to reserves	Capitali-sation	Great Belt Power Link	Total
Balance for income from congestion rents transferred to reserves can be specified as follows:				
Balance at 1 January 2013	499	65	893	1,457
Periodic transfer to reserves, incl. capitalisation	200	22		222
Transfer on commissioning of plant				0
Reversal to tariff base for the year	-192		-36	-228
Tax	-2	-5	9	2
Balance at 31 December 2013	505	82	866	1,453

Cash flow statement

Note	DKKm	2013	2012
	Profit for the year before net financials	**46**	**620**
	Reversal of items not affecting cash flows	-11	0
	Depreciation and impairment losses for tangible and intangible assets	1,910	959
	Payments in respect of provisions	-12	46
	Change in inventories	-205	-17
	Change in receivables	-417	-224
	Change in liabilities	135	-242
	Change in accumulated excess revenue/deficit	196	989
	Cash flows from operating activities before net financials	**1,642**	**2,131**
	Interest receivable	9	32
	Interest payable	-511	-401
	Cash flows from ordinary activities	**1,140**	**1,762**
	Corporation tax paid	-46	-76
	Cash flows from operating activities	1,094	1,686
	Investment in intangible assets	-67	-70
	Investment in tangible assets	-3,237	-2,731
	Sale of tangible assets	65	0
	Sale of securities	0	249
	Dividend from associates	0	10
	Acquisition of enterprises	0	-5,660
	Cash flows from investing activities	-3,239	-8,202
	Proceeds from long-term borrowings	2,028	7,942
	Repayment of long-term loans	-1,445	-575
	Short-term borrowings/repayment, net	939	-684
	Cash flows from financing activities	1,522	6,683
	Change in cash and cash equivalents	-623	167
	Net cash and cash equivalents at 1 January	13	-154
	Net cash and cash equivalents at 31 December	-610	13

Notes

Note 1 Segmental income statement DKKm	Power system	Environmentally friendly energy – PSO	Gas system	Commercial activity	Eliminations	Annual report 2013	Annual report 2012
Tariff revenue	2,366	5,734	351	0	0	8,451	8,130
Sale of electricity from wind turbines and other RE facilities	0	215	0	0	0	215	277
Sale of electricity from local CHP plants	0	78	0	0	0	78	87
Congestion rents	601	0	0	0	0	601	856
Fee for balancing the power system	164	0	0	0	0	164	131
Power generation subsidies	48	0	0	0	0	48	86
Other income	40	0	57	179	-59	217	238
Revenue	3,219	6,027	408	179	-59	9,774	9,805
Excess revenue/deficit	-150	-143	97	0	0	-196	-988
EU grants	0	0	130	0	0	130	316
Other operating income	0	0	44	10	0	54	9
Total income	3,069	5,884	679	189	-59	9,762	9,142
Subsidies for energy production	-48	-4,762	0	0	0	-4,810	-3,849
Purchase of electricity	0	-648	0	0	0	-648	-801
Subsidies for R&D	0	-179	0	0	0	-179	-180
Other energy costs	0	-239	-2	-10	0	-251	-225
Compensation for grid losses	-153	0	0	0	0	-153	-358
Purchase of regulating power	-101	0	0	0	0	-101	-104
Payment for the 132/150 kV grids	0	0	0	0	0	0	-234
Payment for reserves/storage capacity	-704	0	-165	0	46	-823	-1,038
Expenses relating to foreign grids	-50	0	0	0	0	-50	-60
Payment for inspections	-53	0	-8	0	0	-61	-54
Other external operating expenses	-327	0	-46	-33	0	-406	-321
Total external expenses	**-1,436**	**-5,828**	**-221**	**-43**	**46**	**-7,482**	**-7,224**
Staff costs	-232	0	-84	-8	0	-324	-339
Total costs	-1,668	-5,828	-305	-51	46	-7,806	-7,563
Depreciation and impairment losses for tangible and intangible assets	-1,039	-31	-144	-709	13	-1,910	-959
Operating profit/loss	362	25	230	-571	0	46	620
Net financials	-358	-25	-120	74	0	-429	-269
Profit/loss before tax	4	0	110	-497	0	-383	351
Tax on profit for the year	215	0	59	146	0	420	-90
Net profit/loss for the year	219	0	169	-351	0	37	261

◄(ctd.) DKKm	Power system	Environmentally friendly energy – PSO	Gas system	Commercial activity	Eliminations	Annual report 2013	Annual report 2012
Net profit/loss for the year	219	0	169	-351	0	37	261
Excess revenue/deficit for the year	-150	-143	97	0	0	-196	-988
Net profit/loss for the year before excess revenue/deficit	369	143	72	-351	0	233	1,249
The net profit/loss can be specified as follows:							
Strengthening of contributed capital	0	0	0	0	0	0	116
Other reserves transferred to equity							
– EU grants transferred to reserves	-3	0	98	0	0	95	238
– Income from congestion rents transferred to reserves	-4	0	0	0	0	-4	-33
– Adjustment of deferred tax	270	0	84	0	0	354	-55
– Other reserves	-44	0	-13	-351	0	-408	-5
Deficit for the year	0	0	-97	0	0	-97	0
Excess revenue for the year	150	143	0	0	0	293	988
Total	369	143	72	-351	0	233	1,249

Note 1 Segmental balance sheet DKKm	Power system	Environ-mentally friendly energy – PSO	Gas system	Com-mercial activities	Elimina-tions	Annual report 2013	Annual report 2012
Assets							
Non-current assets							
Intangible assets	466	229	24	2	-197	524	623
Tangible fixed assets	24,094	207	5,375	1,471	0	31,147	28,966
Investments	42	0	1	0	0	43	39
Total non-current assets	24,602	436	5,400	1,473	-197	31,714	29,628
Current assets							
Inventories	23	0	287	0	0	310	105
Deficit	0	242	0	0	0	242	391
Other receivables	1,253	701	505	8	-31	2,436	2,083
Interest-bearing receivables	0	492	0	0	-492	0	0
Cash and cash equivalents	18	4	6	7	0	35	113
Total current assets	1,294	1,439	798	15	-523	3,023	2,692
Total assets	25,896	1,875	6,198	1,488	-720	34,737	32,320
Equity and liabilities							
Equity							
Contributed capital	3,016	0	141	50	-50	3,157	3,157
Strengthening of contributed capital	848	0	102	0	0	950	950
Other reserves	1,570	0	618	153	-450	1,891	1,854
Equity	5,434	0	861	203	-500	5,998	5,961
Provisions	5,002	278	1,322	365	0	6,967	6,742
Liabilities other than provisions							
Interest-bearing debt	13,622	0	3,288	839	8	17,757	16,437
Payables to credit institutions	402	98	145	0	0	645	100
Excess revenue	144	0	446	0	0	590	543
Other liabilities other than provisions	1,292	1,499	136	81	-228	2,780	2,537
Total liabilities other than provisions	15,460	1,597	4,015	920	-220	21,772	19,617
Total equity and liabilities	25,896	1,875	6,198	1,488	-720	34,737	32,320

Note 2 Excess revenue/deficit 2012 DKKm	Balance at 1 January 2012	Adjust-ment	Move-ments of the period	Balance at 31 Decem-ber 2012
Balance for excess revenue/deficit to be included in tariffs can be specified as follows:				
Power system	468	25	-487	6
Gas system	-508	0	-35	-543
Environmentally friendly energy – PSO	876	-25	-466	385
Total excess revenue/deficit	836	0	-988	-152

Excess revenue/deficit is recognised in the balance sheet as follows:	Total recei-vables	Short-term lia-bilities	Total
Power system	6		6
Gas system		-543	-543
Environmentally friendly energy – PSO	385		385
Total excess revenue/deficit	391	-543	-152

2013	Balance at 1 January 2013	Adjust-ment	Move-ments of the period	Balance at 31 Decem-ber 2013
Balance for excess revenue/deficit to be included in tariffs can be specified as follows:				
Power system	6	0	-150	-144
Gas system	-543	0	97	-446
Environmentally friendly energy – PSO	385	0	-143	242
Total excess revenue/deficit	-152	0	-196	-348

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

Note	DKKm	2013	2012
3	**Other operating income**		
	Profit from the sale of emergency gas	44	0
	Other miscellaneous income	10	9
	Total other operating income	54	9
4	**Staff costs**		
	Wages and salaries	-429	-395
	Pensions	-44	-40
	Other social security costs	-4	-4
	Capitalised internal time	153	100
	Total	-324	-339
	Supervisory Board remuneration	-2	-2
	Executive Board remuneration	-8	-8
	For further information on remuneration of the Executive Board and Supervisory Board, see the section 'Corporate governance' on page 37.		
	Average number of employees	680	618
5	**Depreciation and impairment losses for tangible and intangible assets**		
	Goodwill	-189	-24
	Rights	-4	-17
	Software	-107	-89
	Land and buildings	-6	-5
	Infrastructure	-1,527	-771
	Other plant	-24	-37
	Impairment loss/scrapping	-53	-16
	Total	-1,910	-959
6	**Financial income**		
	Interest on bank deposits etc.	8	16
	Foreign exchange gains and fair value adjustments etc.	17	38
	Total	25	54

Note	DKKm	2013	2012
7	**Financial expenses**		
	Interest on loans, bank debt etc.	-408	-313
	Capitalisation of decommissioning provisions	-117	-73
	Foreign exchange gains and fair value adjustments etc.	-24	-10
	Capitalised interest on construction projects	94	62
	Total	-455	-334
8	**Tax on profit or loss for the year**		
	Current tax for the year	-113	-108
	Deferred tax for the year	132	5
	Current tax regarding previous years	2	52
	Deferred tax regarding previous years	-1	-47
	Deferred tax relating to reduction of corporation tax rate	398	0
	Total	418	-98
	which comprises:		
	Tax on profit or loss for the year	420	-90
	Tax on changes in equity	-2	-8
	Total	418	-98
	Tax rate adjustment		
	Corporation tax rate	25%	25%
	Tax effect of non-taxable income and non-deductible expenses	-15%	2%
	Tax effect of reduction of corporation tax rate, beginning of year	103%	0%
	Tax effect of reduction of corporation tax rate, current year	-4%	0%
	Adjustment of tax in previous years	1%	-1%
	Effective tax rate for the year	110%	26%
	Tax paid for the year	46	76

Note	DKKm	Goodwill	Rights	Software	Software under construc-tion	Total intan-gible assets
9	**Intangible assets**					
	Acquisition cost at 1 January	**497**	**196**	**590**	**56**	**1,339**
	Additions during the year	0	0	0	67	67
	Disposals during the year	0	0	-21	0	-21
	Transfer to/from other items	0	0	190	-51	139
	Other adjustments	0	-99	0	0	-99
	Acquisition cost at 31 December	**497**	**97**	**759**	**72**	**1,425**
	Amortisation and impairment losses at 1 January	**-124**	**-145**	**-447**	**0**	**-716**
	Amortisation and impairment losses for the year	-189	-4	-107	0	-300
	Reversals on disposals for the year	0	0	16	0	16
	Other adjustments	0	99	0	0	99
	Amortisation and impairment losses at 31 De-cember	**-313**	**-50**	**-538**	**0**	**-901**
	Carrying amount at 31 December	184	47	221	72	524

Note	DKKm	Land and buildings	Infra-structure	Cushion gas	Other plant	Assets under construc-tion	Total tangible fixed assets
10	**Tangible fixed assets**						
	Acquisition cost at 1 January	**566**	**34,532**	**467**	**311**	**3,758**	**39,634**
	Additions during the year	0	566	141	5	3,303	4,015
	Disposals during the year	0	-59	-23	-6	-41	-129
	Transfer to/from other items	-9	2,619	0	10	-2,758	-138
	Other adjustments	0	-165	0	0	0	-165
	Acquisition cost at 31 December	**557**	**37,493**	**585**	**320**	**4,262**	**43,217**
	Amortisation and impairment losses at 1 January	**-66**	**-10,436**	**0**	**-168**	**0**	**-10,670**
	Amortisation and impairment losses for the year	-6	-1,527	0	-24	0	-1,557
	Reversals on disposals for the year	0	26	0	5	0	31
	Other adjustments	0	126	0	0	0	126
	Amortisation and impairment losses at 31 December	**-72**	**-11,811**	**0**	**-187**	**0**	**-12,070**
	Carrying amount at 31 December	485	25,682	585	133	4,262	31,147

Total finance costs of DKKm 330 have been capitalised under 'Non-current assets', (DKKm 94 in 2013).

Note	DKKm	Equity investments in associates	Other equity investments	Total investments
11	**Investments**			
	Acquisition cost at 1 January	**3**	**37**	**40**
	Additions during the year	0	3	3
	Disposals during the year	0	0	0
	Acquisition cost at 31 December	**3**	**40**	**43**
	Value adjustments at 1 January	**-1**	**0**	**-1**
	Additions during the year	0	0	0
	Disposals during the year	0	0	0
	Dividend paid	0	0	0
	Net profit/loss for the year	1	0	1
	Value adjustments at 31 December	**0**	**0**	**0**
	Carrying amount at 31 December	3	40	43

Equity investments in associates (share of equity value)

Name	Domicile	Ownership	Share capital	Group 2013
European Market Coupling Company GmbH	Hamburg (D)	20%	EUR 1.6	3
Total				3

Other equity investments (share of equity value)

	Domicile	Ownership	Share capital	Group 2013
Dansk Gasteknisk Center A/S	Hørsholm (DK)	15.6%	9	1
Nord Pool Spot AS	Oslo (N)	18.8%	NOK 53	36
Capacity Allocation Service Company.eu S.A.	Luxembourg (L)	7.1%	EUR 41	3
Prisma European Capacity Platform GMBH	Leipzig (DE)	7.3%	EUR 0	0
Total				40

Total investments	43

Note	DKKm	2013	2012
12	**Receivables from associates**		
	Trade receivables	0	0
	Loans	0	2
	Total	0	2
	Expected maturity of receivables from associates:		
	Less than 1 year	0	0
	1-5 years	0	2
	Total	0	2
13	**Other receivables**		
	Market value of financial instruments	545	719
	Energy settlement	997	831
	Other receivables	118	171
	Total	1,660	1,721
	Expected maturity of other receivables:		
	Less than 1 year	1,115	1,034
	1-5 years	56	83
	More than 5 years	489	604
	Total	1,660	1,721
14	**Prepayments**		
	EU grants	246	115
	Prepayments	79	31
	Total	325	146
	Expected maturity of other receivables:		
	Less than 1 year	325	146
	1-5 years	0	0
	More than 5 years	0	0
	Total	325	146

Note	DKKm	2013	2012
15	**Deferred tax liabilities**		
	Deferred tax at 1 January	3,325	2,362
	Additions relating to business acquisition	-11	921
	Adjustment in respect of previous years	1	46
	Deferred tax relating to reduction of corporation tax rate	-398	0
	Change in deferred tax concerning profit/loss for the year	-134	-12
	Change concerning hedging instruments	2	8
	Total	2,785	3,325
	Deferred tax concerns		
	Intangible assets	57	60
	Tangible fixed assets	3,382	4,187
	Current assets	-25	-31
	Liabilities other than provisions	-629	-891
	Total	2,785	3,325
	The same corporation tax rate is used as stated in Note 8.		
16	**Provisions**		
	Provisions at 1 January	3,417	1,389
	Provisions made during the year	141	267
	Additions in connection with business acquisition	0	1,192
	Change in present value	636	570
	Provisions consumed for the year	-12	-1
	Total	4,182	3,417
	Decommissioning provisions	4,020	3,305
	Other provisions	162	112
	Total	4,182	3,417
	Expected maturity of provisions:		
	Less than 1 year	167	107
	1-5 years	28	41
	More than 5 years	3,987	3,269
	Total	4,182	3,417

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

In connection with the determination of the decommissioning provisions, Energinet.dk has calculated the expenses of dismantling and removing the non-current assets concerned on a disaggregated basis. The expense per disaggregated unit is stated in 2013 prices. The prices have been projected with an inflation rate until the year when the non-current asset in question is expected to be dismantled and removed. Assumptions and estimates underlying the calculation of the decommissioning provisions are reassessed once a year when the annual report is prepared. In 2013, the assessment resulted in an increase in provisions of DKK 715 million, which can primarily be attributed to a fall in the discount rate and price-index regulation applied. At 31 December 2013, the total decommissioning provisions constituted DKK 4,020 million.

Note	DKKm	2013	2012
17	**Payables to credit institutions and mortgage credit institutions**		
	Payables to mortgage credit institutions	112	112
	Payables to credit institutions	16,184	15,803
	Long-term loans	16,296	15,915

Primary financial instruments 2013

Lender/type	Principal	Currency	Nom. interest rate	Expiry	Carrying amount	Carrying amount incl. swaps
Danmarks Nationalbank	1,115	DKK	4.00	2015	1,151	1,129
Danmarks Nationalbank	1,490	DKK	4.00	2017	1,551	1,517
Danmarks Nationalbank	500	DKK	4.00	2019	565	565
Danmarks Nationalbank	1,000	DKK	3.00	2021	1,102	1,102
Danmarks Nationalbank	1,000	DKK	1.50	2023	1,011	1,011
Danmarks Nationalbank	2,000	DKK	0.10	2023	2,028	2,028
Danmarks Nationalbank	1,000	DKK	7.00	2024	1,328	942
Danmarks Nationalbank	4,400	DKK	4.50	2039	6,436	6,436
RD	112	DKK	4.33	2036	112	112
DePfa	1,500	DKK	Floating	2027	1,012	1,048
Total, Group					16,296	15,890

The portfolio of liabilities amounts to DKK 16,296 million. Of this amount, DKK 75 million falls due in 2014. The amount is stated as a short-term liability other than provisions under 'Current maturities of long-term liabilities other than provisions'.

DKKm	2013	2012
Following conversion into DKK, the aggregate principal falls due as follows:		
Less than 1 year	75	1,471
1-5 years	3,002	3,026
More than 5 years	13,219	11,418
Total	16,296	15,915

DKKm	Other receivab-les	Other payables	Loans	Total
Maturities of loans and associated swaps:				
Less than 1 year			75	75
1-5 years	-55	36	3,002	2,983
More than 5 years	-490	104	13,219	12,832
Total	-545	140	16,296	15,890

DKK 75 million has been recognised under 'Current maturities of long-term liabilities other than provisions'. The amount relates to loans.

Note	DKKm	2013	2012
18	**Prepayments**		
	EU grants	187	168
	Other deferred income	138	163
	Total	325	331
	Expected maturity of deferred income:		
	Less than 1 year	7	2
	1-5 years	171	196
	More than 5 years	147	133
	Total	325	331
19	**Lease commitment**		
	Expected maturity of lease commitments:		
	Less than 1 year	6	6
	1-5 years	26	26
	More than 5 years	32	38
	Total	64	70
20	**Corporation tax**		
	Corporation tax payable at 1 January	-65	-65
	Additions relating to business acquisition	0	20
	Current tax for the year	113	108
	Paid corporation tax for the year	-46	-76
	Correction in respect of previous years	-2	-52
	Total	0	-65
21	**Other payables**		
	Commitments on subsidies for research and development	452	449
	Pay-related items	100	97
	Market value of financial instruments	140	219
	Interest payable	96	75
	Energy settlement	797	488
	Other	435	440
	Total	2,020	1,768

22 **Provision of security and charges**

Land, buildings and plant concerning gas-related activities, the carrying amount of which constituted DKK 5,375 million at year-end, have been provided as security for payables to mortgage credit institutions in the amount of DKK 112 million. (2012: DKK 5,135 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 1,012 million. (2012: DKK 1,088 million).

Energinet.dk has issued guarantees totalling EUR 33 million to its partners (2012: DKK 42 million) and NOK 5 million (2012: NOK 5 million).

Note	DKKm

23 **Derivative financial instruments**

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

Currency risks of loans	Currency loans	Swap deposits in currencies	Swap deposits in DKK	Swap loans in DKK	Market value	Expiry
SEK	-1,750	1,750	1,470	-1,485	-15	2014
Total	-1,750	1,750	1,470	-1,485	-15	

Results-wise, the market value of currency swap agreements is DKK -15 million and is equal to similar value adjustments of the hedged loans. The market value is recognised under 'Other payables'.

Currency risks in connection with contracts and raw materials	Currency contract	Date of maturity	Contract in DKK	Date of maturity in DKK	Market value	Expiry
NOK	-55	55	-52	50	-2	2014
SEK	-210	210	-166	170	4	2014-2015
Total			-218	220	2	

Forward exchange transactions to hedge currency risks in contracts have been entered into. The market value is included in the item 'Other receivables'.

The market value of currency swap agreements is DKK 2 million and is stated under 'Other receivables'.

Interest rate risks of loans	Nominal	Market value	Expiry
Fixed to floating	-1,000	479	2024
Floating to fixed	-1,000	-104	2019
Floating to fixed	-1,000	11	2024
Fixed to floating	-500	34	2017
Floating to fixed	-1,013	-36	2015
Fixed to floating	500	21	2015
Total	-4,013	405	

The market value of currency swap agreements is DKK 405 million, with DKK -140 million being stated under 'Other payables' and DKK 545 million being stated under 'Other receivables'.

Note

24 Contingent liabilities and other financial liabilities

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

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

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

Energinet.dk has rent commitments of DKK 14 million (2012: DKK 14 million), of which DKK 9 million falls due within one year and DKK 5 million between two and five years. Of the total commitment, DKK 11 million concerns the Group's subsidiaries, with half falling due within one year.

Energinet.dk has lease commitments of DKK 7 million (2012: DKK 8 million), of which DKK 3 million falls due within one year and DKK 4 million between two and five years.

25 Fees to external auditor

Rigsrevisionen does not charge a fee for its auditing services.

26	**Related parties**	Basis
	Danish Ministry of Climate, Energy and Building Stormgade 2-6 DK-1470 Copenhagen K	100% owner-ship
	Supervisory Board and Executive Board	Control of manage-ment

For further information on remuneration of the Executive Board and Supervisory Board, see the section 'Corporate governance' on page 37.

Accounting policies

The annual report of the independent public enterprise Energinet.dk for the period 1 January - 31 December 2013 has been prepared in accordance with the provisions of the Danish Financial Statements Act and the Danish Act on Energinet.dk.

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

Change in accounting policies

As a result of the abolition of the existing accounting standards applicable to reporting class D, accounting policies are changed so that they are based solely on the Danish Financial Statements Act and the Danish Act on Energinet.dk.

The change has no effect on equity, balance sheet total or the income statement.

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 of these enterprises, are treated as associates.

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

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

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

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

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

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

Comparative figures are not restated for newly acquired, sold and divested enterprises or activities. Profit or loss

from the disposal or divestment of subsidiaries and associates is determined as the difference between the selling price or the divestment price and the carrying amount of net assets at the date of disposal, including non-amortised goodwill as well as anticipated selling and divestment costs.

Foreign currency translation

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

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

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

Derivative financial instruments

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

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

Changes in the fair values of derivative financial instruments classified as and complying with the criteria for the hedging of future transactions are recognised directly in equity under 'Reserve for hedging transactions'. If the

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

Income statement

Revenue

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

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

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

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

Grants from European Energy Programme for Recovery

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

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

Other operating income

Other operating income comprises items of a secondary nature.

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

Staff costs
Staff costs include salaries and wages, remuneration, pension contributions and other staff costs pertaining to Energinet.dk's employees, including the Supervisory Board and Executive Board.

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

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

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

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

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

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

The tax for the year, which comprises the current tax for the year and any changes in deferred tax, is recognised in the income statement with the share attributable to the net profit 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 profit or loss for the year is attributable to the tax for the year, while the remaining share is attributable to the profit or loss from ordinary activities for the year.

The jointly taxed enterprises subscribe to the Tax Prepayment Scheme. Supplementary payments, allowances and refunds relating to the tax payments are recognised under net financials.

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

Assets

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

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

Rights include the right to charge for ancillary services, transit agreements 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 their expected useful lives:

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

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

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

Profit 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'.

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

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

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

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

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

Land	Is not depreciated
Buildings	20-100 years
Infrastructure	10-60 years
Cushion gas	Is not depreciated
Other plant	3-10 years

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

Acquisitions in the financial year are depreciated proportionately from the date of entry into service. Expenses relating to extensive maintenance checks are recognised at the acquisition cost of infrastucture as a separate non-current asset which is depreciated over its useful life, i.e. the period until the next maintenance check. On the original acquisition of tangible fixed assets, account is

also taken of the shorter useful life of a particular part of the asset, and for accounting purposes the part concerned is therefore treated at the date of acquisition as a separate asset with a shorter useful life and thus depreciation period.

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

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

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

Prepayments on tangible fixed assets not delivered are capitalised.

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

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

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

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

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

Equity investments in associates are measured in the balance sheet as the proportionate share of the equity value of the enterprise concerned determined on the

basis of the accounting policies applied by the Parent plus or minus unrealised intercompany profits or losses.

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

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

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

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

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

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

Prepayments (asset)
Prepayments include prepaid expenses incurred.

Equity

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

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

Other reserves
Other reserves comprise rents from interconnections for future investment in expanding the electricity infrastructure transferred to reserves with a view to reducing po-

wer grid congestion. The provision is made in accordance with special legislation in this area. Grants from the European Energy Programme for Recovery have been transferred to other reserves.

Furthermore, the item includes profits or losses in subsidiaries, fair value adjustments of the hedging instruments meeting the requirements for hedging future cash flows and adjustments of deferred tax liabilities for subsequent inclusion in the tariffs which are taken directly to equity.

Equity and liabilities

Provisions

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

Corporation tax and deferred tax

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

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

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

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

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

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

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

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

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

Cash flow statement

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

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

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

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

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

Definitions of key figures and ratios

EBITDA margin	EBITDA / Revenue x 100
Operating cash flow/debt	Operating activity x 100 / Interest-bearing debt
Solvency ratio	Equity x 100 / Balance sheet total
Rate of costs, operating expenses	Operating expenses x 100 / Carrying amount, non-current assets beginning of year
Operating expenses	Operating expenses comprise administrative expenses and staff costs
EBITDA	Profit or loss before depreciation, amortisation and impairment losses, net financials and tax
Strengthening of contributed capital	The year's actual value of the contributed capital according to the price index announced by the Danish Energy Regulatory Authority.
Price-index regulation IAW the Danish Energy Regulatory Authority	Index increase according to the price index announced by the Danish Energy Regulatory Authority.
No. of occupational injuries, own staff per million working hours	No. of accidents resulting in absence among own staff per million working hours in accordance with the reporting rules of the Danish Working Environment Authority.
Employee turnover	(New arrivals + departures)/2 x 100 / No. of employees, end of year
Employees	No. of full-time employees converted using the ATP method
Absence due to illness	No. of hours of absence due to illness x 100 / No. of contractual working hours
Nord Pool Spot purchases relative to consumption	Volume MWh Buy in DK1+DK2 according to Nord Pool Spot x 100 / Volume MWh consumption in DK1+DK2
Nord Pool Spot sales relative to consumption	Volume MWh Sell in DK1+DK2 according to Nord Pool Spot x 100 / Volume MWh consumption in DK1+DK2
Gas volume traded at GTF relative to consumed volume	Volume gas traded at Gas Transfer Facility (GTF) x 100 / volume gas consumption in Denmark
Nord Pool Gas purchases and sales	Volume gas traded at Nord Pool Gas x 100 / volume gas consumption in Denmark
No. of disconnections in 150/400 kV grids	No. of disconnections per 1,000 km pipeline
Delivery points affected by technical problems (gas)	Delivery points affected by technical problems (%). In a delivery point, gas is added/removed from Energinet.dk's transmission network.
Grid loss (GWh)	Loss on international connections + loss on connections to Læsø and Bornholm + loss on the Great Belt Power Link. Loss on Skagerrak and Konti-Skan is shared equally with Norway and Sweden.
SF6 gas discharge relative to gas in use (%)	Weight of refilled SF6 gas/Weight of SF6 gas in use x 100
Gas consumption at meter and regulator stations relative to flow (‰)	Gas consumption at meter and regulator stations in Nm^3/domestic consumption in Nm^3.
Discharge of natural gas from transmission relative to flow (‰)	Total volume of natural gas blown off and flared natural gas in Nm^3/Volume of natural gas transported in the transmission network in Nm^3.
Wind power generation relative to net power generation	Calculated on the basis of the measured net power generation using the Danish Energy Agency's calculation methods. Calculated by Energinet.dk using preliminary data for 2012.
Renewable energy production relative to net power generation	Calculated on the basis of the measured net power generation using the Danish Energy Agency's calculation methods. Calculated by Energinet.dk using preliminary data for 2012.

Consolidated financial statements of the Parent

Danes' electricity consumption on 12 November

Income statement

Note	DKKm	2013	2012
	Tariff revenue, grid and system	2,366	2,562
	Tariff revenue, PSO	5,734	5,121
	Tariff revenue, gas transmission	351	447
	Congestion rents	602	856
	Fee income for balancing the power system	164	131
	Sale of PO electricity	293	364
	Other revenue	114	152
	Revenue	9,624	9,632
1	Excess revenue/deficit	-196	-988
	EU grants	130	316
2	Other operating income	55	0
	Total income	9,613	8,960
	External expenses	-7,970	-7,414
3	Staff costs	-313	-326
	Total costs	-8,283	-7,740
4	Depreciation and impairment losses for tangible and intangible assets	-732	-599
	Profit before net financials	598	622
	Net loss in subsidiaries	-335	-49
	Net profit in associates after tax	1	12
5	Financial income	24	52
6	Financial expenses	-371	-279
	Profit/loss before tax	-83	359
7	Tax on profit or loss for the year	120	-98
	Net profit/loss for the year	37	261
	The following distribution of the net profit for the year is proposed:		
	Strengthening of contributed capital	0	116
	Net revaluation according to the equity method	-334	-37
	Transferred to other reserves	371	182
	Total	37	261

Assets

Note	DKKm	2013	2012
	Intangible assets		
	Rights	241	258
	Software	223	143
	Software under construction	72	56
8	**Total intangible assets**	**536**	**457**
	Tangible fixed assets		
	Land and buildings	470	465
	Infrastructure	14,183	12,447
	Cushion gas	297	196
	Other plant	130	113
	Assets under construction	4,103	3,588
9	**Total tangible fixed assets**	**19,183**	**16,809**
	Investments		
	Equity investments in group enterprises	8,054	8,397
	Equity investments in associates	3	2
	Other equity investments	40	37
10	**Total investments**	**8,097**	**8,436**
	Total non-current assets	27,816	25,702
	Inventories	**310**	**95**
	Receivables		
	Trade receivables	434	130
	Receivables from group enterprises	0	548
11	Receivables from associates	0	2
19	Corporation tax	0	65
12	Other receivables	1,661	1,689
1	Deficit	242	391
13	Prepayments	325	146
	Total receivables	**2,662**	**2,971**
	Cash and cash equivalents	**26**	**107**
	Total current assets	2,998	3,173
	Total assets	30,814	28,875

Equity and liabilities

Note	DKKm	2013	2012
	Equity		
	Contributed capital	3,157	3,157
	Strengthening of contributed capital	950	950
	Net revaluation according to the equity method	0	0
	Other reserves	1,891	1,854
	Total equity	5,998	5,961
	Provisions		
14	Deferred tax liabilities	1,401	1,542
15	Provisions	2,092	1,900
	Total provisions	3,493	3,442
	Long-term liabilities other than provisions		
16	Payables to credit institutions and mortgage debt	15,284	13,431
17	Prepayments	318	324
18	Lease commitment	58	64
	Total long-term liabilities other than provisions	**15,660**	**13,819**
	Short-term liabilities other than provisions		
16	Current maturities of long-term liabilities other than provisions	0	1,396
17	Current maturities of long-term deferred income	7	2
18	Current maturities of long-term lease commitment	6	6
	Debt, commercial papers	1,461	522
	Payables to credit institutions	644	100
	Trade payables	369	347
	Payables to group enterprises	615	1,062
	Payables to associates	0	0
1	Excess revenue	590	543
20	Other payables	1,971	1,675
	Total short-term liabilities other than provisions	**5,663**	**5,653**
	Total liabilities other than provisions	21,323	19,472
	Total equity and liabilities	30,814	28,875
21	Provision of security and charges		
22	Derivative financial instruments		
23	Contingent liabilities and other financial liabilities		
24	Fees to external auditor		
25	Related parties		

Statement of changes in equity

DKKm	Contributed capital	Strengthening of contributed capital	Other reserves	Net revaluation according to the equity method	Total
Equity at 1 January 2012	3,157	834	1,678	0	5,669
Net profit/loss for the year		116	182	-37	261
Transfer			-31	31	0
Value adjustment of hedging instruments, beginning of year			4	54	58
Value adjustment of hedging instruments, end of year			21	-48	-27
Foreign currency translation adjustment of equity investments, beginning of year			-1		-1
Foreign currency translation adjustment of equity investments, end of year			1		1
Equity at 31 December 2012	3,157	950	1,854	0	5,961
Net profit/loss for the year		0	371	-334	37
Transfer			-312	312	0
Value adjustment of hedging instruments, beginning of year			-21	48	27
Value adjustment of hedging instruments, end of year			-1	-26	-27
Foreign currency translation adjustment of equity investments, beginning of year			-1	0	-1
Foreign currency translation adjustment of equity investments, end of year			1	0	1
Equity at 31 December 2013	3,157	950	1,891	0	5,998

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

	Balance at 1 January 2013	Move-ments of the period	Balance at 31 Decem-ber 2013
Balance for other reserves can be specified as follows:			
Income from congestion rents transferred to reserves, incl. capitalisation	1,457	-4	1,453
EU grants transferred to reserves	403	95	498
Results from commercial activities	65	-352	-287
Depreciation of decommissioning costs in respect of facilities acquired before 1 January 2005	-121	-32	-153
Unrealised translation adjustments, net financials	38	-11	27
Adjustment of deferred tax	197	354	551
Results of Regionale Net.dk A/S	-159	-13	-172
Fair value adjustment of financial instruments	-27	0	-27
Foreign currency translation adjustment of equity investments	1	0	1
Other reserves at 31 December 2013	1,854	37	1,891

DKKm	Conges-tion rents trans-ferred to reserves	Capitali-sation	Great Belt Power Link	Total
Balance for income from congestion rents transferred to reserves can be specified as follows:				
Balance at 1 January 2013	499	65	893	1,457
Annual transfer to reserves, incl. capitalisation	200	22		222
Transfer on commissioning of plant				0
Reversal to tariff base for the year	-192		-36	-228
Tax	-2	-5	9	2
Balance at 31 December 2013	505	82	866	1,453

Notes

Note 1 Excess revenue/deficit 2012 DKKm	Balance at 1 January 2012	Adjustment	Movements of the period	Balance at 31 December 2012
Balance for excess revenue/deficit to be included in tariffs can be specified as follows:				
Power system	468	25	-487	6
Gas system	-508	0	-35	-543
Environmentally friendly energy – PSO	876	-25	-466	385
Total excess revenue/deficit	836	0	-988	-152

Excess revenue/deficit is recognised in the balance sheet as follows:	Total receivables	Short-term liabilities	Total
Power system	6		6
Gas system		-543	-543
Environmentally friendly energy – PSO	385		385
Total excess revenue/deficit	391	-543	-152

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

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

Note	DKKm	2013	2012
2	**Other operating income**		
	Profit from the sale of emergency gas	44	0
	Other miscellaneous income	11	0
	Total other operating income	55	0
3	**Staff costs**		
	Wages and salaries	-418	-382
	Pensions	-43	-39
	Other social security costs	-4	-4
	Capitalised internal time	152	98
	Total	-313	-326
	Supervisory Board remuneration	-2	-2
	Executive Board remuneration	-8	-8
	For further information on remuneration of the Supervisory Board and the Executive Board, see the 'Management remuneration' section in the corporate governance, management remuneration and management section on page 37.		
	Average number of employees	656	588
4	**Depreciation and impairment losses for tangible and intangible assets**		
	Rights	-16	-15
	Software	-106	-88
	Land and buildings	-5	-4
	Infrastructure	-529	-441
	Other plant	-24	-34
	Impairment loss/scrapping	-52	-17
	Total	-732	-599
5	**Financial income**		
	Interest on bank deposits etc.	7	14
	Foreign exchange gains and fair value adjustments etc.	17	38
	Total	24	52

Note	DKKm	2013	2012
6	**Financial expenses**		
	Interest on balances with subsidiaries	-7	-7
	Interest on loans, bank debt etc.	-371	-276
	Capitalisation of decommissioning provisions	-63	-48
	Foreign exchange gains and fair value adjustments etc.	-24	-9
	Capitalised interest on construction projects	94	61
	Total	-371	-279
7	**Tax on profit or loss for the year**		
	Current tax for the year	-17	-58
	Deferred tax for the year	-45	-52
	Current tax regarding previous years	1	52
	Deferred tax regarding previous years	-1	-47
	Deferred tax relating to reduction of corporation tax rate	187	0
	Total	125	-105
	which comprises:		
	Tax on profit or loss for the year	120	-98
	Tax on changes in equity	5	-7
	Total	125	-105
	Tax rate adjustment		
	Corporation tax rate	25%	25%
	Tax effect of non-taxable income and non-deductible expenses	5%	4%
	Tax effect of reduction of corporation tax rate, beginning of year	-74%	0%
	Tax effect of reduction of corporation tax rate, current year	-3%	0%
	Adjustment of tax in previous years	-1%	-2%
	Effective tax rate for the year	-48%	27%
	Tax paid for the year	46	76

Note	DKKm	Rights	Software	Software under construc-tion	Total intan-gible assets
8	**Intangible assets**				
	Acquisition cost at 1 January	**386**	**569**	**56**	**1,011**
	Additions during the year	0	0	67	67
	Disposals during the year	0	-21	0	-21
	Transfer to/from other items	0	190	-51	139
	Other adjustments	0	0	0	0
	Acquisition cost at 31 December	**386**	**738**	**72**	**1,196**
	Amortisation and impairment losses at 1 January	**-129**	**-425**	**0**	**-554**
	Amortisation and impairment losses for the year	-16	-106	0	-122
	Reversals on disposals for the year	0	16	0	16
	Amortisation and impairment losses at 31 December	**-145**	**-515**	**0**	**-660**
	Carrying amount at 31 December	241	223	72	536

Note	DKKm	Land and buildings	Infra-structure	Cushion gas	Other plant	Assets under construc-tion	Total tangible fixed assets
9	**Tangible fixed assets**						
	Acquisition cost at 1 January	**524**	**21,221**	**196**	**278**	**3,587**	**25,806**
	Additions during the year	0	47	123	5	2,978	3,153
	Disposals during the year	0	-42	-22	-6	-41	-111
	Transfer to/from other items	10	2,234	0	38	-2,421	-139
	Other adjustments	0	0	0	0	0	0
	Acquisition cost at 31 December	**534**	**23,460**	**297**	**315**	**4,103**	**28,709**
	Amortisation and impairment losses at 1 January	**-59**	**-8,774**	**0**	**-166**	**0**	**-8,999**
	Amortisation and impairment losses for the year	-5	-529	0	-24	0	-558
	Reversals on disposals for the year	0	26	0	5	0	31
	Amortisation and impairment losses at 31 December	**-64**	**-9,277**	**0**	**-185**	**0**	**-9,526**
	Carrying amount at 31 December	470	14,183	297	130	4,103	19,183

Total finance costs DKKm 327 have been capitalised under 'Non-current assets', (DKKm 94 in 2013).

Note	DKKm	Equity investments in subsidiaries	Equity investments in associates	Other equity investments	Total investments
10	**Investments**				
	Acquisition cost at 1 January	**8,478**	**3**	**37**	**8,518**
	Additions during the year	0	0	3	3
	Disposals during the year	-29	0	0	-29
	Acquisition cost at 31 December	**8,449**	**3**	**40**	**8,492**
	Value adjustments at 1 January	**-81**	**-1**	**0**	**-82**
	Additions during the year	0	0	0	0
	Disposals during the year	0	0	0	0
	Dividend paid	0	0	0	0
	Net profit/loss for the year	-335	1	0	-334
	Equity adjustments	21	0	0	21
	Foreign currency translation adjustments concerning foreign entities	0	0	0	0
	Value adjustments at 31 December	**-395**	**0**	**0**	**-395**
	Carrying amount at 31 December	8,054	3	40	8,097

Equity investments in subsidiaries (share of equity value)

Name	Domicile	Ownership	Share capital	Parent 2013
Energinet.dk Associated Activities A/S	Fredericia	100%	0.5	31
Energinet.dk Gaslager Holding A/S	Fredericia	100%	50	172
Regionale Net A/S	Fredericia	100%	207	7,844
Gaspoint Nordic A/S	Fredericia	100%	10	7
Under direct ownership, total			268	8,054

Equity investments in associates (share of equity value)

Name	Domicile	Owner-ship	Share capital	Parent 2013
European Market Coupling Company GmbH	Hamburg (D)	20%	EUR 1.6	3
Total				3

There are no significant intercompany profits or losses from trading with associates at 31 December 2013. Associates are recognised and measured as independent entities.

Other equity investments (share of equity value)

	Domicile	Owner-ship	Share capital	Parent 2013
Dansk Gasteknisk Center A/S	Hørsholm (DK)	15.6%	9	1
Nord Pool Spot AS	Oslo (N)	18.8%	NOK 53	36
Capacity Allocation Service Company.eu S.A.	Luxembourg (L)	7.1%	EUR 41	3
Prisma European Capacity Platform GMBH	Leipzig (DE)	7.3%	EUR 0	0
Total				40

Total investments	8,097

Note	Amounts in DKKm	2013	2012
11	**Receivables from associates**		
	Trade receivables	0	0
	Loans	0	2
	Total	0	2
	Expected maturity of receivables from associates:		
	Less than 1 year	0	0
	1-5 years	0	2
	Total	0	2
12	**Other receivables**		
	Market value of financial instruments	545	719
	Energy settlement	997	831
	Other receivables	119	139
	Total	1,661	1,689
	Expected maturity of other receivables:		
	Less than 1 year	1,115	1,002
	1-5 years	56	83
	More than 5 years	490	604
	Total	1,661	1,689
13	**Prepayments**		
	EU grants	246	115
	Prepayments	79	31
	Total	325	146
	Expected maturity of other receivables:		
	Less than 1 year	325	146
	1-5 years	0	0
	More than 5 years	0	0
	Total	325	146

Note	Amounts in DKKm	2013	2012
14	**Deferred tax liabilities**		
	Deferred tax at 1 January	1,542	1,444
	Adjustment in respect of previous years	1	47
	Deferred tax relating to reduction of corporation tax rate	-187	0
	Change in deferred tax concerning profit/loss for the year	50	44
	Change concerning hedging instruments	-5	7
	Total	1,401	1,542
	Deferred tax concerns		
	Intangible assets	57	59
	Tangible fixed assets	1,999	2,132
	Current assets	-25	-31
	Liabilities other than provisions	-630	-618
	Total	1,401	1,542
	The same corporation tax rate is used as stated in Note 8.		
15	**Provisions**		
	Provisions at 1 January	1,900	1,148
	Provisions made during the year	141	267
	Change in present value	63	485
	Provisions consumed for the year	-12	0
	Total	2,092	1,900
	Decommissioning provisions	1,930	1,788
	Other provisions	162	112
	Total	2,092	1,900
	Expected maturity of provisions:		
	Less than 1 year	167	107
	1-5 years	28	41
	More than 5 years	1,897	1,752
	Total	2,092	1,900

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

In connection with the determination of the decommissioning provisions, Energinet.dk has calculated the expenses of dismantling and removing the non-current assets concerned on a disaggregated basis. The expense per disaggregated unit is stated in 2013 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 es-

timates underlying the calculation of the decommissioning provisions are reassessed once a year when the annual report is prepared. In 2013, the assessment resulted in an increase in provisions of DKK 142 million, which can primarily be attributed to a fall in the discount rate and price-index regulation applied. At 31 December 2013, the total decommissioning provisions constituted DKK 1,930 million.

Note	DKKm	2013	2012
16	**Payables to credit institutions and mortgage credit institutions**		
	Payables to mortgage credit institutions	112	112
	Payables to credit institutions	15,172	14,715
	Long-term loans	15,284	14,827

Primary financial instruments 2013

Lender/type	Principal	Currency	Nom. interest rate	Expiry	Carrying amount	Carrying amount incl. swaps
Danmarks Nationalbank	1,115	DKK	4.00	2015	1,151	1,129
Danmarks Nationalbank	1,490	DKK	4.00	2017	1,551	1,517
Danmarks Nationalbank	500	DKK	4.00	2019	565	565
Danmarks Nationalbank	1,000	DKK	3.00	2021	1,102	1,102
Danmarks Nationalbank	1,000	DKK	1.50	2023	1,011	1,011
Danmarks Nationalbank	2,000	DKK	0.10	2023	2,028	2,028
Danmarks Nationalbank	1,000	DKK	7.00	2024	1,328	942
Danmarks Nationalbank	4,400	DKK	4.50	2039	6,436	6,436
RD	112	DKK	4.33	2036	112	112
Total, Parent					15,284	14,842

The portfolio of liabilities amounts to DKK 15,284 million. Of this amount, DKK 0 million falls due in 2014.

DKKm	2013	2012
Following conversion into DKK, the aggregate principal falls due as follows:		
Less than 1 year	0	1,396
1-5 years	2,702	2,726
More than 5 years	12,582	10,705
Total	15,284	14,827

Maturities of loans and associated swaps:	Other receivables	Other payables	Loans	Total
Less than 1 year	0	0	0	0
1-5 years	-55		2,702	2,647
More than 5 years	-490	104	12,582	12,196
Total	-545	104	15,284	14,843

Note	Amounts in DKKm	2013	2012
17	**Prepayments**		
	EU grants	187	168
	Other deferred income	138	158
	Total	325	326
	Expected maturity of deferred income:		
	Less than 1 year	7	2
	1-5 years	171	191
	More than 5 years	147	133
	Total	325	326
18	**Lease commitment**		
	Expected maturity of lease commitments:		
	Less than 1 year	6	6
	1-5 years	26	26
	More than 5 years	32	38
	Total	64	70
19	**Corporation tax**		
	Corporation tax payable at 1 January	-65	-65
	Additions relating to business acquisition	0	20
	Current tax for the year	113	108
	Paid corporation tax for the year	-46	-76
	Correction in respect of previous years	-2	-52
	Total (less receivables)	0	-65
20	**Other payables**		
	Commitments on subsidies for research and development	452	449
	Pay-related items	98	95
	Market value of financial instruments	104	154
	Interest payable	90	69
	Energy settlement	797	488
	Other	430	420
	Total	1,971	1,675

Note	
21	**Provision of security and charges**
	Reference is made to Note 22 in the consolidated financial statements.

Note DKKm

22 **Derivative financial instruments**

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

Currency risks of loans	Currency loans	Swap deposits in currencies	Swap deposits in DKK	Swap loans in DKK	Market value	Expiry
SEK	-1,750	1,750	1,470	-1,485	-15	2014
Total	-1,750	1,750	1,470	-1,485	-15	

In terms of their impact on results, the market value adjustments of currency swap agreements amount to DKK -15 million and are equal to similar value adjustments of the hedged loans.

Currency risks in connection with contracts and raw materials	Currency contract	Date of maturity	Contract in DKK	Date of maturity in DKK	Market value	Expiry
NOK	-55	55	-52	50	-2	2014
SEK	-210	210	-166	170	4	2014-2015
Total			-218	220	2	

Forward exchange transactions to hedge currency risks in contracts have been entered into. The market value is included in the item 'Other receivables'.

The market value of currency swap agreements is DKK 2 million and is stated under 'Other receivables'.

Interest rate risks of loans	Nominal	Market value	Expiry
Fixed to floating	-1,000	479	2024
Floating to fixed	-1,000	-104	2019
Floating to fixed	-1,000	11	2024
Fixed to floating	-500	34	2017
Fixed to floating	500	21	2015
Total	-3,000	441	

The market value of interest rate swap agreements is DKK 441 million, with DKK -104 million being stated under 'Other payables' and DKK 545 million being stated under 'Other receivables'.

Note	DKKm

23 **Contingent liabilities and other financial liabilities**

Reference is made to Note 24 in the consolidated financial statements.

24 **Fees to external auditor**

Reference is made to Note 25 in the consolidated financial statements.

25 **Related parties**

Reference is made to Note 26 in the consolidated financial statements.

Accounting policies

The annual report of the independent public enterprise Energinet.dk for the period 1 January - 31 December 2013 has been prepared in accordance with the provisions of the Danish Financial Statements Act and the Danish Act on Energinet.dk.

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

Reference is made to page 95 where the accounting policies applied by the Energinet.dk Group are described. Deviations from group policies are described below.

Investments

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

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

In the Parent, the total net revaluation of equity investments in the subsidiary is transferred via the distribution of net profit to the reserve for net revaluation according to the equity method.
An impairment test of financial assets is carried out when there is an indication of impairment. The impairment test compares the recoverable amount and the carrying amount of the tested asset. Impairment losses are recognised when the carrying amount of an asset or cash-generating unit (CGU) exceeds the recoverable amount of the asset or cash-generating unit.

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

Cash flow statement

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

Segment note

No separate segment information is provided for the Parent. Reference is made to the segment note for the Group in the consolidated financial statements; see Note 1, page 71.

Statement by the Supervisory and Executive Boards on the annual report

The Supervisory and Executive Boards have on this day considered and adopted the annual report for 2013 for Energinet.dk.

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

In our opinion, the accounting policies applied are appropriate, the Group's internal control relevant to the preparation and presentation of the annual report is adequate and the annual report therefore gives a true and fair view of the Group's and the Parent's assets, liabilities and financial position at 31 December 2013, the results of the Group's and the Parent's operations and the Group's cash flows for the financial year 1 January - 31 December 2013.

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

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

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

Fredericia, 5 March 2014

Executive Board

Peder Østermark Andreasen
Adm. direktør

Torben Thyregod
Finansdirektør, CFO

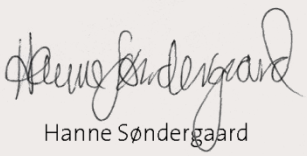
Torben Glar Nielsen
Teknisk direktør, CTO

Supervisory Board

Niels Fog
Formand

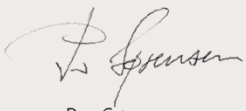
Birgitte Kiær Ahring

Charlotte Møller

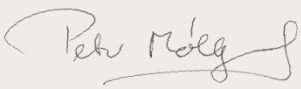


Hanne Søndergaard

Hans Simonsen

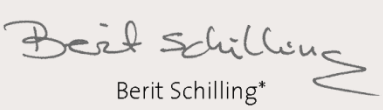


Per Sørensen



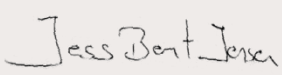
Peter Møllgaard

Poul Erik Morthorst



Berit Schilling*

Carl Erik Madsen*



Jess Bernt Jensen*

* Employee-elected

Internal Auditor's Report

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Energinet.dk for the period 1 January - 31 December 2013, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company as well as the consolidated cash flow statement. The Consolidated Financial Statements and Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk.

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

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

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

Auditor's responsibility

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

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

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

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

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2013 and of the results of the Group and the Parent Company operations as well as the consolidated cash flows for the financial year 1 January 2013 - 31 December 2013 in accordance with the Danish Financial Statements Act and the Act on Energinet.dk. Furthermore, in our opinion, business procedures and internal control have been established which ensure that the transactions comprised by the Consolidated Financial Statements and the Parent Company Financial Statements comply with the appropriations granted, legislation and other regulations as well as agreements concluded and common practise.

Statement on Management's Review

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

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

Fredericia, 5 March 2014
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Jens Otto Damgaard
State Authorised
Public Accountant

Brian Christiansen
State Authorised
Public Accountant

External Auditor's Report

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

We have audited the Consolidated Financial Statements, Parent Company Financial Statements and Management's Review of Energinet.dk for the financial year 1 January - 31 December 2013. The Consolidated Financial Statements and Parent Company Financial Statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent as well as the consolidated cash flow statement. The Consolidated Financial Statements, Parent Company Financial Statements and Management's Review are presented in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk.

With this auditor's report the audit of the annual report for 2013 is completed. Rigsrevisionen may, however, decide to further investigate issues relating to this and previous financial years. In this connection, new information may become available which may lead to reassessment of specific issues dealt with in this auditor's report.

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

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

The auditor's responsibility and basis of audit opinion

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

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

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

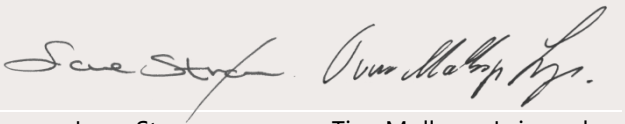
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

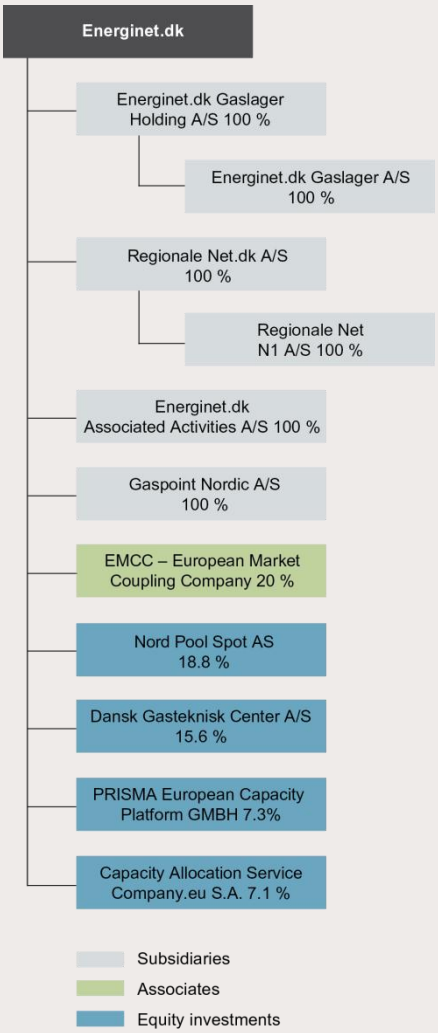
In our opinion, the Consolidated Financial Statements and Parent Company Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities and financial position at 31 December 2013 and of the results of the Group's and Parent's operations and the Group's cash flows for the financial year 1 January - 31 December 2013 in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk, and the management's review includes a fair account in accordance with the Danish Financial Statements Act and the Danish Act on Energinet.dk. Furthermore, it is our opinion that business procedures and internal controls have been established which ensure that the transactions covered by the consolidated financial statements and financial statements comply with the appropriations granted, legislation and other regulations as well as agreements concluded and common practice.

Fredericia, 5 March 2014
Rigsrevisionen



Lone Strøm	Tina Mollerup Laigaard
Auditor General	Director

The Group


Energinet.dk
Energinet.dk Gaslager Holding A/S 100 %
Energinet.dk Gaslager A/S 100 %
Regionale Net.dk A/S 100 %
Regionale Net N1 A/S 100 %
Energinet.dk Associated Activities A/S 100 %
Gaspoint Nordic A/S 100 %
EMCC – European Market Coupling Company 20 %
Nord Pool Spot AS 18.8 %
Dansk Gasteknisk Center A/S 15.6 %
PRISMA European Capacity Platform GMBH 7.3%
Capacity Allocation Service Company.eu S.A. 7.1 %
Subsidiaries
Associates
Equity investments

Key ratios

FINANCIAL HIGHLIGHTS		2013	2012	2011	2010	2009
Income statement						
Revenue	DKKm	9,774	9,805	7,369	8,480	9,145
Excess revenue/deficit	DKKm	-196	-988	530	158	-263
EBITDA	DKKm	1,956	1,579	1,615	2,230	1,874
Profit before net financials	DKKm	46	620	749	1,086	577
Net financials	DKKm	-429	-269	-342	-302	-314
Net profit/loss for the year	DKKm	37	261	128	695	165
Strengthening of contributed capital	DKKm	0	116	176	154	-111
Balance sheet						
Non-current assets	DKKm	31,714	29,628	19,052	17,423	17,038
Current assets	DKKm	3,023	2,692	3,175	2,914	2,591
Balance sheet total	DKKm	34,737	32,320	22,227	20,337	19,629
Net interest-bearing debt	DKKm	18,367	16,424	10,006	7,995	8,821
Equity	DKKm	5,998	5,961	5,669	5,569	5,050
Cash flows						
Operating activities	DKKm	1,094	1,686	101	1,937	2,140
Investing activities	DKKm	-3,239	-8,202	-2,025	-1,103	-1,180
of which investment in tangible fixed assets	DKKm	-3,237	-2,731	-2,166	-1,040	-1,056
Financing activities	DKKm	1,522	6,683	1,110	-591	-579
Cash and cash equivalents, end of year, net	DKKm	-610	13	-154	660	417
Key ratios						
Solvency ratio	%	17	18	26	27	26
Credit rating Standard & Poors	Rating	AA	AA	AA	AA	AA
Price-index regulation IAW the Danish Energy Regulatory Authority	%	0.0	3.6	5.5	3.8	-2.0
Rate of cost, operating expenses	%	2.5	3.4	3.9	4.2	4.8
EBITDA margin	%	20.0	16.1	21.9	26.3	20.5
Operating cash flow/debt	%	6.0	10.3	1.0	24.2	24.3

NON-FINANCIAL HIGHLIGHTS		2013	2012	2011	2010	2009
Tariffs						
Total consumption tariff (electricity)	DKK 0.01/kWh	24.3	23.0	15.1	14.8	18.1
Grid tariff (electricity)	DKK 0.01/kWh	2.8	4.2	4.5	3.5	4.5
System (electricity)	DKK 0.01/kWh	4.1	3.4	2.9	2.8	2.9
PSO (electricity) (average for the year)	DKK 0.01/kWh	17.4	15.4	7.7	8.6	10.6
Capacity payment (gas)	DKK/kWh/h/year	9.48	10.54	10.54	10.54	11.54
Volume payment (gas)	DKK 0.01/kWh	0.109	0.122	0.122	0.122	0.117
Emergency supply payment (gas)	DKK 0.01/kWh		0.360	0.580	0.819	0.712
- Protected customers	DKK 0.01/kWh	0.237				
- Non-protected customers	DKK 0.01/kWh	0.127				
Human resources						
No. of occupational injuries, own staff	per million working hours	1.6	0.0	2.2	2.3	3.5
Absence due to illness	%	1.7	1.7	2.1	2.0	2.3
Employee turnover	%	10.1	10.6	9.4	6.8	8.4
Employees	no. of	680	618	572	544	505
Market details						
Nord Pool Spot purchases relative to consumption (electricity)	%	91	104	95	85	86
Nord Pool Spot sales relative to consumption (electricity)	%	94	63	80	96	75
Gas volume traded at GTF relative to consumed volume	%	74	103	91	62	58
Gaspoint Nordic purchases and sales	%	25	17	9	8	2
Security of supply						
No. of disconnections in 150/400 kV grids (electricity)	per 1,000 km	12	8	6	8	6
Delivery points affected by technical problems (gas)	%	0	0	0	0	0
Environment						
Grid loss	GWh	852	989	980	919	786
SF6 gas discharge relative to use	%	0.3	0.7	1.1	0.9	0.7
Gas consumption at meter and regulator stations relative to flow	‰	0.80	0.83	0.76	0.79	0.90
Natural gas discharge relative to flow	‰	0.02	0.01	0.03	0.01	0.01
Wind power generation relative to power consumption	%	33	30	28	22	19
RE production relative to net power generation	%	46	48	37	34	29

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

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

info@energinet.dk
www.energinet.dk

ENERGINET.DK

We connect energy and people